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The Commercial and FINANCIAL CHRONICLE

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Says Bretton Woods Is Complement of Dumbarton Oaks

Dean Acheson, Assistant Secretary of State and a United States Delegate to the Bretton Woods Monetary Conference, appeared on March 7 before the Committee on Banking and Currency of the House of Representatives in support of the bill for the approval of the proposals for an International Monetary Fund and an International Bank for Reconstruction and Rehabilitation as adopted by the Conference last July. In a formal statement to the Committee, he stressed the value of the proposals as a part of a general world security pact and as a factor in "indivisible collective security," and urged that the fundamentals rather than the details of the proposals be given prime consideration.

Dean G. Acheson

His statement as released by the Department of State follows:

In considering the Bretton Woods proposals for an International Monetary Fund and an International Bank, we must realize how great an issue is involved. It is the same issue with which (Continued on page 1155)

Index of Regular Features on page 1176.

Domestic and International Stabilization

By DANIEL W. BELL*

Under Secretary of the Treasury

Treasury Official Cautions That Controls Should Not End With the War. Says Government Is Committed to an Economic Policy That Will Assure High Levels of Employment and a Widely Shared High Standard of Living. Avers a Healthy World Economy Will Further Our Domestic Stability. Holds Bretton Woods Plan Should Be Adopted Immediately as We Do Not Have the Alternative of Waiting Until There Is Political, Social and Economic Stability, but Points Out That the Great Industrial Countries Must Take Measures at Home to Promote Business Activity to Avoid Depression. Warns Against Post-War Economic Isolation.

It has been wisely said that the function of finance in wartime is to make sure that no military considerations are sacrificed for reasons of finance. Important though this principle is, it is incomplete. It is not enough to make sure that finance does not become a bar to the most effective prosecution of the war. We must also make sure that in providing all of the financial resources that can be used by our fighting forces we do not open the way to a dangerous foe on the home front—inflation.

Daniel W. Bell

By any test, this Government has been successful in financing all of our military needs while minimizing inflation. In spite of war expenditures eight times as great as in the first World War,

*An address by Under Secretary Bell before the Kiwanis Club of New York at the Hotel McAlpin, New York City, March 7, 1945.

(Continued on page 1168)

Foreign Exchange Insufficiency And Exchange Instability

By WILBERT WARD*

Vice-President, National City Bank of New York, President, Foreign Trade Bankers Association

Stating That There Is a Difference Between Exchange Insufficiency and Exchange Instability, Mr. Ward Maintains That the International Bank for Reconstruction Could Be Authorized to Negotiate Stabilization Agreements and Make Loans Under Proper Safeguards for Stabilization Purposes, Without an International Stabilization Fund. States, Further, That He Finds No Practical Relationship Between the Business of Foreign Traders and the Proposed Monetary Fund, and That the International Monetary Fund Will Not Solve Scarce Currencies Problem.

We have had some conspicuous examples in recent years of exchange insufficiency as contrasted with exchange instability. A great many of you were parties to the two unfreezing agreements with Brazil totalling some \$14 millions in 1933 and some \$30 millions in 1936; the unfreezing agreement with the Argentine in 1933 totalling some \$23½ millions and with Nicaragua in 1938 involving \$1½ millions. There was also the Spanish freezing in 1936 of commercial accounts which were cleared through co-

Wilbert Ward

*Address by Mr. Ward before the Foreign Credit Interchange Bureau, Hotel Pennsylvania, New York City, March 8, 1945.

(Continued on page 1158)

Shall Uncle Sam Become the World's Financial Scapegoat?

By HON. N. M. MASON*

Congressman from Illinois, 12th District

Republican Congressman Warns That Disaster Lies Ahead if We Follow the Same Reckless Lending Policy of World War I. Says the Bretton Woods Proposals Constitute a Lending Scheme, and Points Out That We Cannot Expect Other Nations to Stabilize Their Currencies While We Are Following a Pattern for Increased Inflation and Further Devaluation of the Dollar. Contends Bretton Woods Is Lord Keynes' Scheme to Start Us on a Spending Spree to Rebuild a War-Torn World and to Finance an International TVA. Holds That We Can Help World Back to Sanity Only by Remaining Safe, Sound, Free and Solvent.

I

After World War I Uncle Sam permitted himself to become the financial scapegoat of the world. Is history about to repeat itself? Is Uncle Sam again to become the financial scapegoat of the world, again destined to assume the financial sins of all the peoples of the earth? These questions are troubling me. They are questions that

Hon. N. M. Mason

*An address by Congressman Mason in the House of Representatives, March 6, 1945.

(Continued on page 1172)

Latin American Exchange and Trade Prospects

By Dr. HENRY C. WALLICH*

Research Department, Federal Reserve Bank of New York

After Noting the Benefits of the Present Stable Exchange Between Latin America and the United States, Mr. Wallich Anticipates Post-War Commodity Price Changes That May Produce Instability. Calls Attention to Serious Inflation in Latin American Countries and Says That Return to Normal Price Levels Will "Be Painful" and Lead to Depletion of Credit Balances in the United States. Holds International Monetary Fund Would Have a Steadying Influence, But Looks for Continuation of Exchange and Other Controls, "Which Should Not Be Taken Too Tragically." Concludes Latin America Will Not Spend Freely for American Imports and Urges Our Exporters Use More and Better Data as Basis for Extending Credits.

As the end of the war approaches, Latin Americans will witness a distinct change in the character of our interest in their countries. Their good neighbor, who for the last few years has primarily been the good customer, will revert to his more familiar role as the perhaps too good salesman. The impending return to our traditional emphasis upon exports is foreshadowed by the increasing frequency with which estimates of Latin American dollar holdings and of accumulated import needs appear in the American press. Some people, no doubt, have felt that Europe and particularly Russia might offer more interesting trade possibilities, once the war in Europe is over. The great difference, however, is that Latin America has cash, while in Europe some countries don't even know whether they will have credit. Europe's purchases may ultimately be larger, but it will probably take some time before the devastated countries' hunger for goods can translate itself fully into export orders on our books. Trade with Europe, moreover, will probably be strictly controlled from the other end, featuring bulk purchases and the like. For the average exporter, Latin America

Henry C. Wallich

*An address by Dr. Wallich before the Latin-American Institute, 90 Morningside Drive, New York, Feb. 15, 1945.

(Continued on page 1169)

Otto U. Wymer Opens Office In Houston

HOUSTON, TEX.—Otto U. Wymer has opened offices in the Shell Building to act as a dealer in municipals. Mr. Wymer was formerly with McClung & Knickerbocker, Inc., was an officer of Beckett, Gilbert & Co., Inc., and was president of Aves & Wymer, Inc.

Sherburn Dodge Opens

SHAWANO, WIS.—Sherburn J. Dodge has opened offices to engage in an investment business as an individual dealer. Mr. Dodge was formerly with E. H. Rollins & Sons, Inc., and prior thereto for many years with Selected Investments Co.

Low Interest Rates And the Investor

By HERBERT SPERO

Department of Economics, the School of Business and Civic Administration, the City College of New York

Writer Reviews Growth of the National Debt and the Methods of Wartime Financing Whereby, Largely Through Short-Term Obligations Taken by the Banks, Interest Rates Have Been Kept Low. Points Out That Interest Rates Will Be Kept Low in Order to Avoid Losses to Banks and Investment Institutions Through Price Declines in Their Bond Holdings and to Enable Lower Costs of Post-War Financing. Holds Investors' Buying Power Need Not Be Injured by Low Interest Rates if the Price Level Is Reduced.

The size of the United States Government debt will keep all prime risk interest rates low. Yet the cheap-money policy of the United States Treasury and the Federal Reserve banks need not injure the investor's buying power.

Dr. Herbert Spero

When the Japs struck at Pearl Harbor in 1941, the Federal debt amounted to only $57,000,000,000 — an increase over the $43,000,000,000 debt in May, 1940 when our defense program started. But by December, 1944, it had reached an all-time high of more than $200,000,000,000. Our national debt by the time Germany and Japan are both beaten may exceed $300,000,000,000.

How will the Treasury handle this huge debt? How will it pay off the annual interest charges and the principal? After the war the service on the $300,000,000,000 debt will be upwards of $6,000,000,000 yearly. How will the government's financial problems affect the corporate investment market?

The answer to the first question will be a governmental attempt to keep money cheap. A cheap money policy was a recovery technique of the Hoover administration. President Roosevelt and his advisers continued this policy. Their program was facilitated by the great increase in this country's gold reserves between 1934 and 1940. The inflow of the yellow metal built up our monetary backing and provided a sound basis for the deficit financing program of the New Deal. It in-

(Continued on page 1153)

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A Fenced Industry

Boren Hearings Make SEC Disclosure Experiment With New "New Deal" Philosophy Clear. Other Fields Should be Alerted to the Danger of Alien Doctrine Involved Which if Applied to Trade Generally Would Mean That Not an Apple or a Button Could Be Sold Without Cost Disclosure to Customer. Effect of Such a Principle Would Make for Monopoly and Kill Small Business. Congressional Opportunity to Remedy Existing Uncertainty Thus Aiding in Reconstruction After War.

With respect to the SEC's contemplated disclosure rule, there can no longer be any doubt about where we are going or whither we are tending. The hearings on the Boren Bill set that at rest.

During these hearings in the course of his testimony, Ganson Purcell, the Chairman of the Securities and Exchange Commission, made it clear that in his opinion, the Commission had the right to establish and promulgate a full disclosure rule.

Let us examine to see what the Commission has done on cost disclosure.

It first gave birth to the proposed rule X-15C1-10.

Attempting to get the reactions of the securities industry and opinions from various other sources on the feasibility of this rule, resulted in a storm of protest and the abandonment of X-15C1-10. The Commission then commenced to toy with the idea of getting some sort of modified disclosure.

During the hearings on the Boren Bill, Mr. Purcell was asked in effect whether the Commission had made known and generally available what was taking place with respect to its attempt to formulate a rule on disclosure.

Apparently the Commission, which stands for disclosure, was not disclosing its activities along these lines.

For more than two years the SEC has been considering a rule on disclosure and the securities industry as a whole has been left in darkness on its scope, and the shape which the conferences have reached to date.

It knows in a general way there is some contemplated change, but the extent of that change, it can only guess at.

What is this new "New Deal" philosophy that the Commission is attempting to foist upon the securities field? Does it have any sanction in trade custom or usage?

We believe the trade custom and usage in the securities field, and in every other field we can think of, is all to the contrary.

In buying a suit of clothes, you would be regarded as a little less than sane, if you asked the dealer what his cost price was. Neither the jeweler nor any other merchant would regard you differently, if you inquired into his cost.

And so it is in the purchase of securities.

An expectant purchaser's knowledge of his seller's cost never was, and never will be a trade stimulant.

(Continued on page 1149)

Goal of American Feder. of Labor

By MATTHEW WOLL*
Vice-President, American Federation of Labor

Labor Leader, Though Pronouncing the Specific Function of the A. F. of L. as the Welfare of Workers, Asserts It Is an Origin for Expression of American Democracy. Maintains Free Labor and Free Enterprise Are Interdependent and Neither Can Exist Separately. Warns of Anti-Union Legislation and Agitation Against Organized Labor, and of the Specter of Unemployment That May Arise From Technological Advances. Urges Higher Living Standards Throughout the World, the Abatement of Governmental Regimentation, the Recognition of Mutual Dependence and Mutual Interests of All Social Groups, and Protection Against Competition of Foreign Cheap or Slave Labor.


Matthew Woll

From the beginning, American labor has recognized that the winning of the war is essential to the advancement of the interests of the common man. We have given unstinted support to the war effort. We have voluntarily suspended the exercise of our hard-won right to strike. The result has been an achievement in production without precedent in the history of mankind. In the four years, from 1940 to 1944, the total output of American commodities has risen from 97 billion dollars to 187 billion dollars. No less than 94 billion dollars last year represented civilian goods and services. Total productive facilities have increased by nearly one-half. During this same period the total national income has been doubled.

That which has been accomplished in time of war must be

*An address by Mr. Woll at the International Ladies Garment Workers' Forum, New York Times Hall, New York City, March 2, 1945.

(Continued on page 1166)

Sen. Vandenberg Supports Eden's Warning to Lublin Polish Gov't

Says United States Should Take an Equally Frank Stand. Reiterates His Demand That Temporary Decisions Made in the Midst of War Be Left for Post-War Adjudication.

Senator Arthur H. Vandenberg, Republican of Michigan, appointed by President Roosevelt as a delegate to the forthcoming United Nations International Conference at San Francisco, in a short address on the floor of the Senate on March 8, gave approval to a statement made by Anthony Eden, British Foreign Minister, in the House of Commons a day previous, in which Mr. Eden warned the Provisional Polish Government set up at Lublin, Poland, against persecuting Poles loyal to the London Polish Government, which has been recognized by both Great Britain and the United States. Senator Vandenberg's remarks, as reported in the "Congressional Record," follows:


A. H. Vandenberg

Mr. President, I wish to read from a United Press dispatch from London this morning. It is headed: "Eden Warns Lublin Poles Against Persecution."

LONDON, March 7 — Foreign Secretary Anthony Eden today warned the Soviet-backed Polish Lublin regime against persecuting Poles loyal to the London Polish Government.

(Continued on page 1162)

Congressman Buffett Condemns Bretton Woods Plan

In Radio Address He Brands It a Scheme for Reckless Spending All Over the World That Will Endanger Our "Honest Dollars." Holds It Will Pour Gasoline on the Smouldering Fires of Inflation and Lower Value of Veterans' Pensions.

In an address entitled "Should the Veteran Family Favor Bretton Woods," made over the NBC network on March 9, Congressman Howard Buffett, Republican of Nebraska, severely condemned the Bretton Woods Agreements as promoting inflation and as threatening the value of the pensions and other payments to be made to the war veterans and their families. He accused the proponents of the Plan of greasing the skids to high pressure Congress into approving it by propaganda on the radio, through the press and by "ballyhooing," and he urged his hearers to do their part to protect the young patriots who are counting on the G. I. Bill by letting "your Congressman and your Senator know you expect them to protect our war victims first."


Howard Buffett

Congressman Buffett began by saying: "Before I talk about the Bretton Woods scheme, let me ask you, how many times lately have you seen a notice in your local paper reading about like this:

Private Larry Mitchell was killed in action in Germany on January 25th. In addition to his widow, Betty, he leaves two small children, Jack, aged three years, and a daughter whom he had never seen, Jane, seven months.

"The foregoing notice is imaginary, but there is nothing imaginary about that heartbreaking message, now coming to thousands and thousands of American homes. No glamorous victory communiques should remove from my mind or yours the haunting tragedy of that dread message. You and I know that broken homes and blasted lives are the inevitable cost of war—part of the price of victory. We cannot change that situation.

"But when the young wife receives that message there is created for you and me a sacred obligation. We have a solemn duty to the humble fireside of that widow and her orphaned children. We have a responsibility to that seven-months-old daughter, Jane, whose life will never be brightened by a hug from the strong and loving arms of her father. He died a hero's death obeying the commands of his Government. We, who stayed at home, have a duty towards those children and their mother in the long, lonesome years ahead. Fellow Americans—will we fulfill that trust?

"Today the answer of all of us is yes, by all means. But keeping that faith will not be easy. Already the danger of betrayal confronts us.

"The keeping of that faith is in the hands of the Government. But Government everywhere in late years, including our own, has found it easier to make promises than to keep them. Most of us believed in the Atlantic Charter. But those of us who are honest with ourselves, and most Americans are, know that the Atlantic Charter has been broken and betrayed, as Poland, Finland, and other small countries have learned in being cut up. That Charter evidenced a great purpose. But while Governments still talk about it, by their deeds and actions they have destroyed the Charter.

"You may ask, what has the abandonment of the Atlantic Charter got to do with the widow of Private Mitchell and her small children? It has a vital connection.

"The future of the widows and orphans of this war depends on the modest pension payments which the Government has promised them.

"You and I are in favor of paying those pensions, aren't we? You want those pensions to be paid on time, paid fairly, and in honest dollars. That's what the American people expect to do for those who have sacrificed. That is the least we can do in simple justice."

Applying these remarks to Bretton Woods, Congressman Buffett made what he called "the significant point": "If the American people become beaten and bankrupt from reckless spending all over the world," he said, "they would not be able to make those payments in honest dollars. That is a simple statement of fact. Right here you may interrupt and say, 'There is no danger of that. Our Government in Washington would not allow that to happen.' You might add, 'You folks in Washington must protect us from reckless spending and from inflation.' And you are right—that is our job.

"But the skids are now being greased to high-pressure Congress into approving a scheme hatched up last summer at Bretton Woods. It is called the Bretton Woods Stabilization Fund and International Bank. On the radio, through the press, and by other propaganda means they are ballyhooing this Bretton Woods scheme just as they did with the Atlantic Charter."

"And," he continued, "as in the case of the Charter, they give

(Continued on page 1152)

A Fenced Industry

(Continued from page 1147)

Long before the inception of the SEC, security dealers* were doing a great job and building a great country.

*A dealer should not be confused with a broker. A dealer is a merchant and buys for his own account with the object of reselling at a profit, at the same time subjecting himself to the possibility of taking a loss on the merchandise he has acquired. A broker, however, acts as the agent of his customer on a commission basis and, as such, is of course obliged to reveal the price at which he buys or sells at to his customer.

In all this we have no desire to give the slightest intimation that we approve dishonest practices or condone unconscionable mark-ups. Our condemnation of them has been continuous and uniform.

We also condemn the throttling of an industry under the guise of regulation, particularly so, when existing laws are adequate to cope with any infractions, independent of such regulation.

These bureaucratic controls have given to the securities field much odious and undeserved publicity.

Through them considerable harm has already been done to brokers and dealers in securities, and unless a curb is placed upon these experimental, meddling activities of the Securities and Exchange Commission, much more harm will be done.

Such organizations as Chambers of Commerce and trade associations must be made to recognize the jeopardy in which the groups they represent would be placed if the new "New Deal" alien cost disclosure doctrine gets a toehold in the securities field.

Just as sure as such a rule came into existence, it would filter into other fields until ultimately not an apple or a button could be sold without cost disclosure to the customer.

The time to kill this alien philosophy so foreign to our American way of life, is now, when it is in the making.

The mere abandoning by the Securities and Exchange Commission of the experimental toying with the disclosure rule would be only a temporary comfort because upon a change of personnel or even in the absence of such a change, this experimenting might be revived.

Here lies a clear and genuine opportunity for the Congress.

Action on the Boren Bill [which would prohibit the SEC from subjecting dealers in municipal bonds to the provisions of a "disclosure rule" of any kind] in and of itself is good, but not enough. By a parallel parity of reasoning, a law should be introduced into the Congress and passed promptly depriving the Securities and Exchange Commission of any power which would make it possible for the Commission to pass a cost disclosure rule applying to any class of securities.

Small dealers in securities, and small business generally, would not have a ghost of a chance of surviving if the cost-price disclosure doctrine was fastened on our economy.

If it was adopted in the securities field the tendency would be for dealers to confine themselves to selling those securities that could be sold with the least possible effort or expense. This for the reason that the customer would always know the profit they were making and would be content only when that profit was bordering on the vanishing point.

THE NET EFFECT OF SUCH A CONDITION WOULD BE FOR DEALERS TO CONCENTRATE THEIR ACTIVITIES IN THE SALE OF SECURITIES OF THE BIGGER, WELL-KNOWN CORPORATIONS, AND THUS TEND TO CLOSE THE CAPITAL MARKETS OF THE COUNTRY TO SMALL BUSINESS.

Of course it is a foregone conclusion, too, that only large dealers in the metropolitan cities doing a volume business could survive. By the same token monopoly would ensue in any industry that the cost-disclosure was foisted on since it would sound the death-knell of small business in those fields.

The member of Congress who paves the way for legislation which will shear the SEC of the power to promulgate a cost disclosure rule in the securities field will be entitled to and will receive the gratitude of his country for such legislation is essential to the coming reconstruction period.

Dealer-Broker Investment Recommendations and Literature

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

Banks — 1945 — Survey — **Merrill Lynch, Pierce, Fenner & Beane**, 70 Pine Street, New York 5, N. Y.

Fire and Casualty Insurance Companies' Earnings and Liquidating Values—Comparative tabulation—**Mackubin, Legg & Co.**, 22 Light Street, Baltimore 3, Md.

Also available are memoranda on **Aetna Insurance Co., Fidelity & Guaranty Fire Corp., Massachusetts Bonding & Insurance Co.**

Guaranteed Railroad Quotations—Also contains discussion of Kentucky & Indiana Terminal RR.—**B. W. Pizzini & Co., Inc.**, 55 Broadway, New York 6, N. Y.

Low Priced Stocks—Review of market—**Harris, Upham & Co.**, 14 Wall Street, New York 5, N. Y.

Frank Dunne Heads Over Counter Group of Red Cross Fund

Frank Dunne of Dunne & Co. has been appointed Chairman of the over-the-counter division of the Red Cross War Fund Campaign for 1945, it is announced by the New York Security Dealers Association. Co-chairman is Alfred E. Loyd, 42 Broadway, N. Y. City. Vice-Chairmen are: Wellington Hunter, Hunter & Co.; Herbert Singer, Luckhurst & Co.; Walter G. Schallitz, Security Adjustment Corp.; R. Page Mason, Allen & Co.; Otto Steindecker, New York Hanseatic Corp.; Harry R. Amott, Amott, Baker & Co., Inc.; Hanns E. Kuehner, Joyce, Kuehner & Co.

Frank Dunne

The New York Security Dealers Association has pledged itself to aid in promoting the cause of the Red Cross Fund.

Railroad Bonds—A series of 52 articles by William Prescott Watts, railroad bond consultant—Published by **Stroud & Co., Inc.**, 123 South Broad Street, Philadelphia 9, Pa.

Aetna Life Insurance—Descriptive memorandum — **Charles W. Scranton & Co.**, 209 Church Street, New Haven 7, Conn.

Also available are memoranda on **American Hardware Corp., Scovill Manufacturing Co., Torrington Co., Connecticut Light & Power Co., Connecticut Power Co., Hartford Electric Light Co., United Illuminating Co.**

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 Terminal 3½s of 1947—Analytical report describing reorganization status and proposed plan—**Greene & Co.**, 37 Wall Street, New York 5, N. Y.

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 RR. of New Jersey mortgage 5s of 1987—Discussion of current situation—**H. Hentz & Co.**, Hanover Square, New York 4, New York.

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

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.

L. A. Darling common—Postwar baby — Complete analysis — **Allman, Moreland & Co.**, Penobscot Building, Detroit 26, Mich.

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:

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 of America, Inc.—Memorandum on interesting speculative possibilities — **Bennett, Spanier & Co.**, 105 South La Salle Street, Chicago 3, Ill.

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

General Industries Co. — Detailed report—**Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

Great American Industries — Descriptive circular—**J. F. Reilly & Co.**, 111 Broadway, New York 6, New York.

Also available are circulars on **Flour Mills, Foundation Co., Moxie Co., Rohr Aircraft,** and **Wellman Engineering.**

Hajoca common—Memorandum —**Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

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

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 postwar 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.

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

(Continued on page 1151)

Tomorrow's Markets Walter Whyte Says—

Recent public buying puts market again on spot. Wide swings seen as likely possibility. Resumption of up-trend expected.

By WALTER WHYTE

The dangers of a reaction that were present, and discussed, when last week's column was written, materialized much sooner than expected. The paper was hardly in your hands when prices started to fade. Much of the weakness could be laid at the doors of the new margin regulations. Public doesn't have to feel the dog's teeth. Its bark is enough to make it run.

Whether or not this running to cover was justified doesn't matter. What does matter is that you were warned beforehand and now that the reaction has come we have to decide what to do about it.

* * *

In my previous column I stated that the 158 figure in the Dow Averages was important. A penetration of that point, I wrote, "would threaten the whole market." Well, the averages did break it and didn't stop until they reached approximately 155 or so. At that point they kind of hitched up their pants and started up again. Ordinarily this sort of action would be indicative of immediately better things. It's no secret, however, that the 155 level was widely heralded as the resistance from which prices would turn up again. So this widely circulated forecast

(Continued on page 1175)

Dealer-Broker Investment Recommendations and Literature

(Continued from page 1150)

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.

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.

Pickering Lumber Corporation—Descriptive circular—**White & Company,** Mississippi Valley Trust Building, St. Louis 1, Mo.

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.

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.

Standard Stoker common — Memorandum—**Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

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.

U. S. Hoffman Machinery Corp.—Discussion of promising outlook—**Hayden, Stone & Co.,** 25 Broad Street, New York 4, N. Y.

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

Western Light & Telephone—Descriptive circular — **Buckley Brothers,** 1529 Walnut Street, Philadelphia 2, Pa.

Whiting Corporation—Circular on prospects—**J. Arthur Warner & Co.,** 120 Broadway, New York 5, New York.

Wilmington Chemical Corporation—Descriptive circular—**Hill, Thompson & Co., Inc.,** 120 Broadway, New York 5, N. Y.

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

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK, INC.

The Security Traders Association of New York, Inc. will hold their annual dinner on Friday, April 20, at the Hotel Waldorf Astoria. John F. McLaughlin of McLaughlin, Baird & Reuss, is chairman of the Dinner Committee. Table reservations may be made through Michael Heeney of Joseph McManus & Co. Because of government requests there will be no hotel reservation chairman.

Calendar of Coming Events

April 20, 1945—New York, Security Traders Association of—Annual Dinner at the Waldorf-Astoria Hotel.

Lamson Bros. & Co. Admits James Wade

CHICAGO, ILL.—James F. Wade became a general partner of Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Chicago Stock Exchanges and other exchanges, as of March 1, 1945. Mr. Wade was formerly Secretary for Bartlett-Frazier Co. and has had many years of experience in the brokerage business.

Mr. Wade's admission to partnership in the firm was previously reported in the "Chronicle" of February 22.

Harris Hall Elects Lt. Com. Valentine Dir.

CHICAGO, ILL.—At the annual stockholders' meeting of Harris, Hall & Company, Lieutenant Commander John W. Valentine was elected a director and other directors were re-elected.

Mr. Valentine is a vice-president of the company and was in charge of its New York office prior to taking leave of absence for service in the Navy.

Following the stockholders' meeting, the officers were re-elected.

Wexler and Brenner With Link, Gorman Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Louis A. Wexler and George E. Brenner have become associated with Link, Gorman & Co., Incorporated, 208 South La Lalle Street. Mr. Wexler was formerly with Faroll Brothers and Merrill Lynch, E. A. Pierce & Cassatt. Mr. Brenner was with Ames, Emerich & Co.

Fred W. Fairman Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Dan E. Penick has been added to the staff of Fred W. Fairman & Co., 208 South La Salle Street, members of the Chicago Stock Exchange.

Public Utility Securities

Standard Gas Plan Disapproved

The Standard Gas recap plan, described in this column Nov. 30th, was recently disapproved by Judge Leahy of the U. S. District Court in Delaware. The SEC always refers its plans to the Federal courts in order to gain enforcement powers, since otherwise many individual security holders might prove "hold-outs" and delay the procedure indefinitely. (Such individual "hold-outs" cashed in very handsomely in the B.-M. T. case several years ago. However, adequate machinery has apparently not been provided for "group" hold-outs—objections by representatives of an entire security issue, based on a criticism of the plan rather than a mere intention to hold securities for a "nuisance" settlement.

In the United Light & Power case, Otis & Co., as holders of a few shares of preferred stock, appealed the lower court's decision and carried the issue over priority rights to the Supreme Court, which recently upheld the commission. The Standard Gas decision appears to be SEC's first important setback at the hands of the courts (except perhaps for the L. I. Lighting jurisdictional case, which is also being appealed).

The Standard Gas plan, which was approved by the commission Nov. 18 after numerous changes, was disapproved by Judge Leahy on only one ground—the fact that bondholders were to be paid off partly in cash and partly in securities, instead of all in cash. No question of priority of rights was raised (as in the United Light case) but merely the question whether stocks were suitable in lieu of cash. The SEC had, of course, obtained expert testimony as to the market value of the five issues to be given to bondholders (two of them have markets, the others not). The commission had tried to make allowance for temporary fluctuations in market value, by using a special index of selected utility equities, the amount of cash being reduced or increased in accord with the estimated fluctuations in stock values based on this index. But this adjustment was no longer in effect after the commission's decision was made. In the interim, utility stocks have continued to advance and due to the increased theoretical value of the "package" which bondholders would receive, the bonds advanced to over 103.

While the market has amply borne out the commission's estimates as to the value of the securities to be distributed to bondholders, the Judge evidently regarded this as merely a "lucky break," since he stated "those values . . . are variable enough not to be the equivalent of cash when a noteholder's debt is actually to be discharged."

Thus while the decision was intended to protect bondholders, it temporarily hurt their interests by causing a decline in the bonds, which however later recovered to 102. This recovery may be due, in part, to the fact that an appeal has been filed, and partly to the delay involved, which will permit a good rate of return (more than a "bank yield") before the bonds are paid off. However, the hopes that bondholders may realize between 110 and 120 for their bonds (according to various estimates of the potential value of the package) have now been dampened. In such an event prior preferred and preferred stockholders might well have cause for complaint, since they would theoretically be entitled to everything remaining after bondholders get 100 in dissolution. This point, however, was not stressed in the decision.

The court held that while Congress has the right to modify creditors' rights in bankruptcies, by providing that the approval of each class of security holders shall be obtained for a reorganization plan, the dissolution of a holding company is different because the Holding Company Act makes no provision for obtaining the consent of security holders. The judge's view thus differed from the 5-to-3 majority decision of the Supreme Court in the United Light & Power case, where it was held that the SEC could modify the contractual rights of the preferred stockholders. Judge Leahy mentioned this decision, but held that it did not apply because the preferred stockholders were not creditors, as are the Standard Gas noteholders.

The decision was badly reported in the press. The news ticker report, quoting objections to the plan by stockholders, failed to make it clear that these did not represent the judge's own opinions. Hence, the speculative public apparently jumped to the conclusion that the $4 preferred, and possibly even the common stock, might benefit by any revision of the plan. The prior preferred stocks declined and the $4 preferred advanced. Some newspaper reports on the following day were inadequate; The "Times," for example, gave only a brief inside-page story to this important decision. Later reports have, perhaps, sufficiently corrected the earlier mistake, but the position of the $4 preferred in relation to the $7 prior preferred has not been entirely corrected marketwise. With the $7 issue recently at 83 and the $4 preferred at $5, the latter was selling at about twice its theoretical value in relation to the senior issue (which receives about 35 times as much new common under the plan).

Real Estate Securities

Importance of Real Estate Bonds Trading With Stock

At this time it would appear that real estate bonds trading with stock as a unit are decidedly preferential to those that do not have this feature.

This stock represents a share in the ownership of the property, and as the bonds move closer and closer to par, the stock begins to assume a definite value.

Current earnings of real estate in many cases are not only sufficient to pay interest requirements, but are allowing a surplus of funds for funded debt retirement. Reduction of mortgage makes the equity more and more valuable, which in turn should reflect in value to the stock representing such equity.

In addition, these real estate stocks present an excellent hedge if the unfortunate happening of inflation takes place.

An example of the value of the stock feature accompanying bonds is the issue known as Prince & Lafayette St. Corporation 5s of 1952. These bonds carry 20 shares of stock with them. Five years ago the bonds were trading at 50% with the stock. Today, because of the continued reduction of the funded debt, the bonds with the stock are 115 bid, and if you want to sell your stock separately you can get $15 a share for it, or 60% of what the issue was selling for five years ago, and still retain your bond.

Other examples of where the stock has taken a definite value are the Lincoln Building in New York, where the stock which formerly went along free with the bond is now $16.50 a share bid; the Hotel Lexington stock is worth $14.50 per share if sold separately from the bonds.

In selecting bonds with stock, to anticipate the value of the stock, we would suggest selecting those issues that are selling above 70. To cite a few from a price standpoint, these issues might be looked into:

Ambassador Hotel 5/1950
Central Zone 6/1953
Greeley Square Bldg. 6/1951
Lewis Morris Apartments 4-5/1951
London Terrace Apts. 3/1952
Sherneth Corp. 3-5¾/1956
61 Broadway 6/1974
Textile Realty Corp. 4-6/1959

To illustrate the possibility of the stock accompanying these bonds having a possible future value, it is interesting to note that while the London Terrace and Sherneth bonds sell around the 70 level, if the bondholders would care to sell their stock separately, they can get $1.50 per share for it.

Buffett Condemns Bretton Woods Plan

(Continued from page 1148)

you a very appealing sales talk. They claim this scheme will make 60 million jobs for Americans. They claim they will insure world peace. They claim they will enable Europe to rebuild itself. They claim they will guarantee peace and prosperity for the world. They make all these claims and more too. And everything claimed is a noble purpose that you and I would like to see come about—just as we all would like to go to heaven some day. To try this global holding company scheme, they want to risk more billions of our fast-disappearing assets. They demand that Congress okay this experiment. The result would be that America would largely guarantee the paper money and debts of the rest of the world, a few countries excepted. That is the speculative venture they want to try with the trust funds of America's war victims.

"The global 'do-gooders' honestly believe in this experiment, just as they believed in the Atlantic Charter. Other promoters of this scheme are of a different breed. They are the cunning people who know this handout pours gasoline on the smouldering fires of inflation. They are now getting rich by trading real estate, buying property, and speculating in a riotous stock market while patriots are buying bonds. These shrewd manipulators welcome this raid on the Treasury of the United States. Why? Because they know that as our gold and other assets are sent abroad, inflation will speed up. Their opportunities for black market gains and bootleg profits will multiply.

"On the other hand, I understand the fond hopes of the well-meaning person who worships the Bretton Woods schemes because he believes they will bring peace and prosperity. But I deny his right or any American official's right to allow foreign politicians to help themselves in the United States Government money vaults now or after this war. And that is what the Bretton Woods fund does, no matter how they dress it up. Moreover, I deny the right of officials to put our savings into a speculative pool to create artificial values for foreign currencies. Moreover, the Bretton Woods schemes are in addition to many others now in operation, and which are scoop-shoveling our savings, our goods, and our resources into Europe, Asia, Africa, South America, Australia, and the islands of the Seven Seas.

"Should we approve of more schemes of this kind now? Not until America has clearly demonstrated its ability to make good on its promises to the widows and orphans of this war; its promises to the wounded veterans of this conflict; its promises to the millions of youngsters who are relying on the pledges in the G. I. Bill. Against our Government, these Americans hold a claim which must have priority over global experiments. Bretton Woods would put our own patriots at the end of the paycheck line at our Treasury.

"These patriots have the first claim against the Treasury of the United States. Their claim has been written in tears and blood of the fox holes of a hundred battlefields, and on the shifting currents of the Seven Seas.

(Continued on page 1171)

Low Interest Rates And the Investor

(Continued from page 1146)

creased the supply of money and credit and added to bank reserve balances and loanable funds. The deficit financing program of the New Dealers supplemented and aided low money rates.

Total deposits and currency outside the banks have shown an amazing but understandable growth since the beginning of the war. The huge unbalanced budgets forced the Treasury to borrow in good part from the banking system and so resulted in an infusion of additional money and credit into circulation. About the time of our declaration of war deposits and currency amounted to approximately $75,000,000,000. By August, 1944, the figure had climbed to $139,000,000,000, or almost double. The continued growth of this country's public debt will add further to our supply of money and credit. With such large liquid resources in its hands, industry and trade will be largely able to meet its reconversion problems on its own. When the war ends some of this buying power will return to the banking system, and by increasing reserve balances further ease the money markets of the country.

Our low money rate program has been implemented by Treasury short-term borrowing. Monetary authorities criticized the government during the 1930s for this practice to no avail. But its low cost lure was too much for the fiscal authorities to resist.

Financial policy during the war has not changed. The emphasis is still upon short-term securities. While at the close of the fiscal year 1939 about 47% of our marketable debt matured or was callable within five years, the ratio of this debt to our total marketable obligations jumped to 54% by June 30, 1944. The changing maturity distribution of this debt between 1939 and 1944 is indicated in the table below. Debt falling due within one year made up over one-third of the outstanding Federal securities in 1944.

TABLE 1
Maturity Distribution of the Public Marketable National Debt

	1939 Percentage of Total	1944 Percentage of Total
Within 1 year	12.9	36.3
1 to 5 years	34.0	17.7
5 to 10 years	22.9	23.9
10 to 15 years	14.8	6.9
15 to 20 years	11.4	7.2
20 years and over	3.9	8.0
Other	*	*
Total	100.0	100.0

*Less than .05 per cent.

This table does not take account of the non-marketable debt, like the Series E, F and G Savings Bonds issued since 1935; nor of the Tax Anticipation Notes, depositary bonds, and the Adjusted Service obligations of 1945. The bulk of the Savings Bonds mature by 1954, and over the past few years the public has taken advantage of the redemption privileges offered by these securities. When the patriotic stimulus of the war is no longer present, the Treasury can expect a greatly increased volume of redemptions. The essentially short-term character of these bonds as well as the imminent maturities of the other securities mentioned, and the short maturities of the marketable public debt outstanding will impose a great financial burden on the government. This debt situation is all the more reason for keeping the general level of interest rates low.

The cheap money policy was successful in reducing the cost of money to the government. The table below shows the computed interest rate on interest-bearing national debt, direct and guaranteed.

TABLE 2
Computed Interest Rate on Interest-Bearing National Debt, Direct and Guaranteed

End of Fiscal Year—	Computed Rate of Interest
1939	2.534
1940	2.514
1941	2.438
1942	2.260
1943	1.978
1944	1.924

When the war broke out in 1939, the low money policy of the Treasury and the Federal Reserve banks had already hammered down the return to 2.53%. At the close of the fiscal year 1944 it amounted to only 1.92%. Thus between 1939 and 1944 the total decline exceeded one-half of one per cent or more than 25% of the computed return on the Federal interest bearing debt.

The widespread ownership of government debt will force a continuance of the Treasury's low money rate policy. Otherwise how will it be able to preserve the value of institutional government bond holdings against a rise in interest costs, barring the use of extraordinary tactics such as the exchange of present Federal investments bearing a low rate of interest for new issues carrying current market values. The latest statistics indicate that over 80% of all national obligations are held privately. Commercial banks own more than $70,000,000,000, mutual savings banks close to $8,000,000,000, and insurance companies more than $18,000,000,000, while other investors own over $30,000,000,000 of marketable Federal issues and $46,000,000,000 of non-marketable securities. Any advance in interest rates will only reduce the market value of outstanding governmental issues and cause heavy losses to the sellers. Therefore the fiscal authorities will strive to keep interest rates down.

We have also posed the question "How will the government meet the services charges on the debt and perhaps pay off the principle?" The $6,000,000,000 service charge need not frighten us if we remember our great productive power. Under the proper conditions this country should easily turn out a national income capable of carrying such an apparent gargantuan charge.

What are these proper conditions? World-wide trade and most certainly domestic prosperity depend on international peace and sound trade relations. While foreign trade only absorbs normally about 10% of our output, it can play a great role in our business life if the proper conditions are created to stimulate it. Several nations have already negotiated or are about to arrange American credits. Holland recently borrowed $100,000,000, and a British delegation is in the United States to secure a loan. Winthrop W. Aldrich of the Chase National Bank has urged that the Export-Import Bank with its invaluable experience in foreign credit operations be used to make foreign loans. He has also suggested that since England's difficulties with her balance of payments will continue until she can reconvert her industries and reestablish connections with foreign purchasers of her products, she be given a grant-in-aid large enough to establish stability between the dollar and the pound while she imports food and essential raw materials.

Of course there will be many people after the war who will think only in terms of domestic trade. They will concentrate largely on American investments. But they must not forget that the prosperity of many of our industries is dependent upon the flow of export trade. Even in 1934 this lesson was apparent. Sumner Welles then pointed out that the cotton grower, half of whose acres would lie fallow, the hog raiser, tobacco plantationist, oil driller, fruit canner, and automobile manufacturer would not be able to fully utilize their plant unless foreign markets were available.

Another guarantee of American well-being is a free flow of our enormous supply of goods and services throughout the war starved world. Tax reform has also come up for much discussion. Various plans have been advanced to encourage private initiative and enterprise. Both socially minded people as well as hard headed business men have pointed out that there is a tremendous undeveloped consumer market. But it can be developed only if our production is priced within the buying range of the lower middle and poorer income groups.

If American industry is prosperous, why concern ourselves with repayment of the principal? Security holders will not be worried about their investment so long as tax receipts are on the rise due to a growing volume of business and therefore insure the promised return. Only if the government debt continues to mount after the war due to unsound domestic and international business policies will the government's creditors worry about the value of their holdings. The burden of poor business, and wide-spread unemployment would then force another era of deficit financing. Taxes would increase, bringing in their wake greater threats to free private enterprise, and endangering debt repayment. The essential condition for national solvency is national prosperity.

The anticipated debt of $300,000,000,000 or more has aroused the fear of national bankruptcy in some circles. We heard the voices of these Cassandras back in the early 1930s when the Federal budget was first unbalanced. These voices became louder as the national debt approached the $50,000,000,000 mark. But strange to relate, or perhaps notwithstanding the mounting burden, the Treasury was able to satisfy its creditors, pay them their interest, and continue to market still additional securities. Why? For the very good reason that our national income and Federal receipts derived therefrom advanced as the government poured its billions into public works. Likewise, America's ability to carry a $300,000,000,000 debt depends upon private industry's output and employment creating purchasing power after the war.

As for ultimate repayment of the debt, this cannot be effected for several generations, even assuming a high level of industrial activity. Furthermore we cannot count upon a constantly rising level of business. Reasonably we must expect fluctuation of production and employment during which the national income will not permit repayment. While the American people fondly hope for a continuous prosperity and full employment, as yet no plan has been advanced offering a feasible basis for achieving perpetual well-being.

Another question to be considered is the effect of the huge debt on the private securities market. The low money rate policy and the plentiful supply of funds generated by the financial events of the last fifteen years will favorably influence it. This favorable influence will be all to the advantage of high grade corporate issues. They will yield relatively little. If we consider corporate and municipal bond yields only since 1941, we find that they dropped even below the 1930 levels.

TABLE 3
Bond Yields Per Cent Per Annum

Year—	High Grade Municipals	Moody's Corporates
1941	2.10	3.34
1942	2.36	3.34
1943	2.06	3.16
1944 (October)	1.88	3.03

High grade municipal bond yields dropped from 2.10 in 1941 to 1.88 during the last quarter of 1944. Corporate bonds gave a return of only 3.03 in 1944 as against 3.34 in 1941.

Finally, how are investors, whether in government or corporate securities going to maintain the buying power of their incomes in the light of governmental policy, a plethora of money in circulation, and a low return on their investments? The answer to this question does not rest with the investor alone. The solution depends upon the price policies of business, and the costs of production it must meet. Mass production with its low costs, encouraged by a prosperous business atmosphere can lift our output to unheard of levels with resultant low prices—all of which will improve the real earning power of the investor.

Sidney Mohr Resumes Investment Business

MONTGOMERY, ALA.—Sidney J. Mohr, Jr., is engaging in a general investment business from offices in the First National Bank Building under the name of King, Mohr & Co. Mr. Mohr has recently been serving in the armed forces. In the past he was a principal of King, Mohr & Co.

Chauncey Waddell Named Resistoflex Director

Chauncey L. Waddell of Herrick, Waddell & Company, 55 Liberty Street, New York City, has been elected a director of Resistoflex Corporation, manufacturers of hose and hose assemblies.

Michigan Brevities

Chrysler Motor Corp. officials are quite definite in saying that any stock split-up action is unlikely until after the war. Although frankly admitting that such action might be desirable in normal times, now that the stock is hovering at $100 or better, and that wider distribution might be favorable, they insist that any change would be in poor taste at the present time. Incidentally, motor circles are fairly positive that Alfred P. Sloan, Jr., will resign his post as Chairman of General Motors with the advent of peace. Mr. Sloan, it is pointed out, has felt that it would be unpatriotic to step down with the country at war. Few are so brash as to predict who will succeed Mr. Sloan.

The Industrial National Bank of Detroit at a special meeting voted to reduce the par value of the stock from $20 to $10 a share and to increase amount of shares outstanding from 50,000 to 100,000.

Further expansion of its facilities for the processing of metallic powders is being undertaken by the McAleer Manufacturing Co. at Rochester, Mich., as a result of the receipt of additional Navy orders for 18,000,000 pounds of atomized aluminum to be delivered over the next six months. The expansion program will be financed by the Defense Plant Corporation, it was stated by Bradley Higbie, President of the company, in his annual report for 1944.

Unfilled orders on the company's books, Mr. Higbie revealed, now stand at $9,000,000. These compare with record 1944 net sales, less credits for materials furnished by the Government, of $4,731,836, and $2,915,648 in 1943.

Net income for the latest year, after Federal income and excess profits taxes of $204,500, amounted to $78,410, equal to 39 cents a share on 200,000 outstanding common shares. Net income in 1943, after $239,500 provision for taxes, was equivalent to 78 cents on each of the 100,000 common shares then outstanding.

Although no public announcement has been made, the National Bank of Detroit, largest bank between New York and Chicago, will enter the small loan or personal loan field shortly. Preparations are now in progress and the service will probably be announced in a few weeks. It will include FHA improvement loans, personal loans, financing of automobile purchases and large appliances after the war, and all similar types of credit accommodation, according to report.

The decision to broaden the bank's services was reportedly reached after lengthy consideration and is based on a desire to render complete banking service to small as well as large customers.

Harley K. McCabe has been named Detroit Branch Manager of the Chamberlain Company, according to Vice-President F. W. Morse. . . . Russell Symes, Vice-President of the Detroit Edison Co., has been appointed a director. . . . K. J. Mackay, for years with the Eureka Vacuum Cleaner Co., was elected Treasurer. . . . Helen Ferguson, who started as clerk, has been named Secretary-Treasurer of the Clayton and Lambert Co. . . . Guy S. Peppiatt, former Controller and Executive Assistant to the President, has been named Executive Vice-President of Federal Mogul Corp.

A capacity crowd turned out to hear Patrick B. McGinnis address the Bond Club of Detroit on "A History and Forecast of Railroad Credit." Mr. McGinnis is a partner of the New York Stock Exchange firm of Pflugfelder, Bampton & Rust, and is also a member of the Faculty of the New York Stock Exchange Institute.

With Trusteed Funds

BOSTON, MASS.—Trusteed Funds, Inc., 33 State Street, has added John H. Slade to its staff.

An Historic Decision Issued By Labor Board

The National War Labor Board on March 7 issued an historic decision denying the Cuneo Press, Inc., Chicago, a printing and binding firm, and Anderson's Super Service, Montevideo, Minn., a retail service station, the right to adjust wages downward. This was the first order of its kind.

The Board, in its decision, which was unanimous, held that the decreases requested by these companies were not necessary to correct gross inquities or to aid in the effective prosecution of the war.

The Cuneo Press, Inc., had sought permission to reduce the wage rate range for twenty-four guards from 75 to 90 cents an hour down to 50 to 75 cents an hour which it had been paying before it performed an Army ordnance contract.

The service station had requested a changeover in its wage scale for twenty employees in the tire recapping department from a single weekly basis to an hourly rate range basis for full-time workers and also had sought to convert its wage scale for part-time employees from an hourly single rate to an hourly rate range basis.

Frank Kiernan Dead

Frank Kiernan, directing head of the New York advertising agency bearing his name, died last Friday morning in Brooklyn. He was 75 years old and the son of the late State Senator John J. Kiernan of New York and Emily Morris Kiernan. Senator Kiernan founded the Kiernan News Agency in 1869, which was the first financial news reporting organization in New York, and the direct forerunner of Frank Kiernan & Co., the present advertising agency.

Mr. Kiernan joined his father's agency as a youth before the turn of the century and was active until a few months before his death, representing a total of more than fifty years in the advertising field. He was for many years one of the outstanding figures in financial advertising.

Mr. Kiernan was born in Jersey City, N. J. and attended Seton Hall College. He was a member of the Crescent Athletic Club of Brooklyn, Rumson Country Club of Rumson, N. J. and a life member of the Friendly Sons of St. Patrick and Tammany Hall.

His wife, Ida Russell died in 1937. He is survived by a son, J. Russell Kiernan, and two sisters, Miss Theresa Kiernan and Mrs. James A Dunne, and two granddaughters.

Business Man's Bookshelf

Home Ownership, Is It Sound?—John P. Dean—Harper & Brothers, 49 East 33rd Street, New York, N. Y.—cloth—$2.50.

Let's Be Practical, an exposition of Socialist fundamentals—John M. Work—Socialist Party, 303 Fourth Avenue, New York 10, N. Y.—paper—10¢ (lower prices in quantity).

Paths Cross on Iwo

DETROIT, MICH. — News dispatches from Iwo Jima last week carried the story of a meeting of two sons of Cyrus H. King, resident partner of Merrill Lynch, Pierce, Fenner & Beane.

Captain William King stopped a passing Navy officer and said, "Say fellow, you look like a corpsman."

The officer was his brother Ensign George King, who had just landed.

Connecticut Brevities

The Billings & Spencer Company showed net income of $106,438.33 for the year 1944 after a provision of $131,915.21 for depreciation of plant and equipment and for emergency facilities and after a provision of $595,793.55 for Federal and State taxes and $110,000 as a reserve for Post War and War Contingencies.

Earnings per share were 57c compared with $1.22 for 1943.

After dividend payment of $18,543.80, which represents 10¢ a share, $87,894.53 was added to surplus, bringing the total to $197,595.84. This is subject to review for possible renegotiation of war contracts, although it is expected that the amount added to Reserves for War Contingencies will be ample to cover renegotiation for 1944.

During the year, renegotiation of 1943 business resulted in a charge of $175,409.74 against the $200,000 Reserve for War Contingencies existing as of December 31, 1943.

Book value as of the year ended December 31, 1944 was $11.06 compared to $10.59 at the end of the preceding year.

The 1944 year-end statement of the Silex Company showed net profit totalling $273,358 against $365,444 in 1943. On a per share basis, results were $1.27 and $1.70 respectively, compared with $1.33 in 1942. Net sales, declining from $4,548,722 to $3,443,976, were off $1,104,746. Although sales of regular Silex models increased about 16% during the year, the percentage was not sufficient to offset the reduction due to lack of materials and the temporary suspension in manufacture of specialty models.

$167,622 was added to earned surplus during 1944, bringing the total to $1,018,400.

The Bullard Co. showed a net profit for the year ended December 31, 1944 totalling $566,585 (after all charges including Federal tax of $1,185,500) or $2.05 per share. This compares with $1,257,280 (after Federal taxes of $3,470,700) or $4.55 a share in 1943.

Net sales of $27,479,042 showed a decline of $11,468,798. Inasmuch as the company believes no excess profits were realized in either 1943 or 1944, no provision has been made for renegotiation.

The combined net income of Niles-Bement-Pond and its subsidiary the Chandler-Evans Corporation for the year 1944 totalled $2,114,188 after all taxes and provision for readjustments to postwar conditions, but before renegotiation. This amounted to $2.68 a share, which compares with $2.52 a share for 1943 after final renegotiation.

Connecticut Light & Power Company showed operating revenues totalling $28,995,487 for 1944 as compared with $27,370,502 a year ago. Fixed charges were covered 3.55 times against 3.05 in 1943, while fixed charges and preferred dividends were covered 2.36 times against 2.14 times. Earnings per share on the preferred stock were $11.47 against $11.01 and earnings on the common were $2.69 against $2.56.

Total operating revenues for the twelve months ended January 31 were $29,067,838 compared with $27,601,439 the preceding twelve months.

Net available for common dividends for the same period was $3,096,170 or $2.70 a share compared with $2,908,199 or $2.53 a share for the previous twelve months.

New Haven Water Company reported earnings of $3.24 per share on the common stock for 1944 against $3.19 for 1943. Fixed charges were covered 2.92 and 2.89 times respectively.

Stockholders of Gray Manufacturing Company will receive on March 31 a dividend of 25¢ per share which represents the first payment made by the company since 1938.

At the meeting of the directors of the Connecticut Mutual Life Insurance Company, James Lee Loomis, president of the company since 1926, was elected Chairman of the Board, and Peter M. Fraser, Vice-President, was elected President.

Gross earnings of Southern New England Telephone Company for the month of January, 1945, were $2,644,579 against $2,474,418 for the corresponding month a year ago, or approximately 30% greater. On a per share basis, the results were 54¢ and 41¢ respectively.

For the year ended December 31, 1944, the New Haven Clock Company reported earnings of $40.90 per share on its 4,715 shares of 6½% preferred stock against $21.37 in 1943 on 6,079 shares. Earnings on 71,960 shares of common were $2.25 and $1.26 respectively. The 1944 income account is subject to renegotiation.

Net earnings of Veeder-Root, Inc., after all charges and provision for Federal taxes, were $682,961 or $3.41 a share for 1944 against corresponding figures of $815,990 and $4.08 in 1943. Figures for both years are before renegotiation.

R. J. Foster With Henry C. Robinson

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—R. James Foster has become associated with Henry C. Robinson & Company, Inc., 50 Lewis Street. Mr. Foster was formerly with Charles W. Scranton & Co. of New Haven. Prior thereto he was with Dick & Merle-Smith and was manager of the municipal department for Shields & Company and Foster & Co., Inc.

Dean Acheson Says Bretton Woods Is Dumbarton Oaks Complement

(Continued from first page)

the United Nations will be faced at San Francisco. Shall we and the other nations go forward to construct a system of collective security in a world organized for peace, or shall each nation use its powers and resources at the expense of other nations in a struggle for survival? The response of all sections and groups in the country to the Dumbarton Oaks Proposals make it clear that they are determined to meet resolutely the tasks and responsibilities of international collaboration.

But we cannot achieve collective security in the political and military fields alone. Collective security is not divisible. Without international collaboration in the economic and financial fields, organization for security in other fields will not assure us a lasting peace. That is why the Bretton Woods proposals are of such major significance. They are an attempt at international organization in the field of money and finance as a part of a whole. If we permit this fact to be obscured by disagreement over details, we will have failed to meet the responsibilities of the issue before us.

Three years were spent in preparation and discussion with the United and Associated Nations before the monetary conference was held at Bretton Woods last summer. The field discussed was complicated and had long been the subject of debate among technical experts. But not only did the representatives of 44 nations discuss these problems in a spirit of cooperation and mutual understanding, but they succeeded in agreeing to recommend to their governments a particular set of proposals. The importance of this achievement completely overshadows any matter of detail. Many of the details might have been written some other way, but if the fundamentals of the proposals provide a sound approach to economic peace and cooperation instead of to economic warfare, they will merit your acceptance.

Of course, you do not want to take anybody else's word for the wisdom and efficacy of the plan agreed upon. You want to decide for yourselves whether you think it holds within it the seeds of success, and I would like to try to tell you about the proposals and explain why I think they will work.

It is useless to talk about the International Bank and Fund out of the context of the conditions with which they will have to deal and the defects which they seek to correct.

Perhaps the first fact to bear in mind is that great areas of the world have been devastated by the war. Military action between contending armies or by aircraft has left a wake of unexampled destruction in many countries. Many countries will have their economies and monetary systems so weakened or disrupted that in the absence of mutual help they must fight for survival with all the economic weapons the use of which they have so well learned during the war and the years preceding it.

Import quotas, restrictions on current transactions involving foreign exchange, multiple currencies in a single country, each of which had its own value and could be used only for certain purposes, are the obvious weapons. They work only until other governments begin to utilize them. Then they become economic warfare. The net result is a shrinking international trade, lower levels of living and hostility between nations.

The Bretton Woods proposals present us with a chance to avoid this disaster by acting in common with the other nations of the world to put aside the implements of economic warfare and make possible an expansion of production and consumption and trade. The proposals include plans for an International Monetary Fund and an International Bank for Reconstruction and Development.

The Fund is designed to create order in foreign exchange transactions, without which expanding trade and investment would be impossible. The Fund is a substitute for international monetary warfare. Any member who agrees to become a member of the Fund agrees upon four principles: First, to define its money in terms of gold; second, to keep its money within 1% of its defined value; third, not to restrict current transactions in its currency; and fourth, to consult with the Fund whenever a problem comes up which it feels makes a change in the value of its currency necessary. These four principles are the basic elements of stability. They provide the rules of the game. Countries which join the Fund agree that they will abide by the rules and will act together for the common good.

In order to enable the member countries to abide by the rules, the Fund provides a method by which members obtain foreign currencies during periods of temporary difficulty without resorting to restrictive methods which injure other nations. For this purpose each member pays into a common fund its own currency and a smaller amount of gold. A member in temporary difficulty is enabled to purchase from this fund with its own currency, the currency of another member. This permits normal business to continue.

The technical operation of the Fund and the many safeguards which are provided to prevent misuse of its resources and to keep it in sound condition will be described to you by other witnesses. What I wish to stress is that in essence the Fund is a common effort by the nations which subscribe to it to put aside practices which are destructive of others and of the common good of all, and to provide the means which make that possible. No nation has more to gain from such a result than our own.

The International Monetary Fund provides collective security, because it seeks to establish order in the financial and economic fields, and order in those fields cannot be divorced from order elsewhere. The Fund gives one country the strength of all by permitting each to use the common reservoir.

The second institution proposed at Bretton Woods was the International Bank for Reconstruction and Development. The Bank will facilitate investments and productive enterprises where they are needed. This does not mean that the Bank will supersede private lending. In the normal case, a country will borrow from private bankers, but where private banks, because of the risk, cannot make the loan upon terms which are possible for the borrower, both borrower and lender may need the assistance of the International Bank. The Bank's function will be to investigate the soundness of the projects for which capital is desired and, if it agrees they are sound, it will guarantee the loans made by private banks. It will also require the government of the country in which the money is to be used to guarantee the loan. In case of a default which results in the necessity of payment by the International Bank, the loss would be spread over the whole world by virtue of the Bank's guarantee. In addition to its guarantee of private loans, the International Bank proposed may make direct loans within certain limits, when private capital is not available.

The whole basis of the Bretton Woods proposals is the conception of an expanding economy and collective security through common action. Unless we achieve a great expansion in production and an increase in the standards of living of all people through orderly arrangements, the solution of the vast problems before all the nations may well be rendered impossible.

Bretton Woods is the complement of Dumbarton Oaks. To construct a peace, there must be one peace—an economic peace as well as a political and military peace. The Bretton Woods proposals should be judged in their place in the structure of an enduring peace.

Missouri Brevities

School Bond Sales in St. Louis County

After a "drought" of public sales extending over a period of several months, a small "flood" (around $4,000,000 total) of offerings is reaching the market here during March. Sales of school district bonds by Brentwood, Kirkwood, Maplewood, Normandy and Webster Groves, all in St. Louis County, have already been effected and issues by Clayton and University City are expected shortly. Present activity can be traced to the adoption on Feb. 27, 1945, of a new Constitution by the State of Missouri. All sales made prior to April 1, the effective date of the new law, are, of course, governed by the present statutes, whereas, sales after that date might be delayed pending clarification of certain legal points.

Prices being received for 1% coupons and the comparatively long maturity represent new all time highs and give further evidence of the excellent credit enjoyed by St. Louis and surrounding area.

Southwestern Bell Rate Revision Unnecessary

In a valuation study extending over a period of more than eight years and with an estimated cost to the company of $1,300,000, the Missouri Public Service Commission has found that for rate-making purposes, Southwestern Bell Telephone's property in Missouri had a cost of reproduction of $115,126,629 as of Dec. 31, 1941. Original cost was found to be $115,059,260, only $67,369 less than the cost of reproduction. These figures exclude property used exclusively for interstate calls. The Commission's staff reported that the company had earned an indicated return of 5.73% for 1941 and with the trend of earnings consistently downward since then, the Commission stated there are no reasonable grounds for believing that a further investigation would result in a reduction in rates. The Missouri Commission normally allows a 6½% return.

National Candy Earnings

Consolidated net income of National Candy for 1944 amounted to $1,154,534 equal to $5.28 per share of common compared with $1,332,500 and $6.20 per share in 1943. In addition to the 3-for-1 stock split proposed several weeks ago, stockholders will also vote at the April 16 annual meeting on the ratification of the Board's recent actions approving pensions for Vincent L. Price, former President, and Ronald M. Bates, former Vice-President, Secretary and Treasurer; also the granting of options to the new President, Ray E. Clizbe, to purchase 10,000 shares of common and other key executives an aggregate of 10,000 shares additional, all at $50 per share on the basis of the present capitalization.

Stock continues to feature trading activity on the St. Louis Stock Exchange reaching a recent new high of 57.

Mercantile-Commerce Stock Dividend

According to a recent announcement, a special meeting of Mercantile-Commerce Bank and Trust Company stockholders will be called shortly for the purpose of increasing the capital stock from $10,000,000 to $12,500,000. When approved, a 25% stock dividend will be distributed. Recently increased dividend of $7 per share probably will be continued on the larger amount of stock.

Anheuser-Busch Report

The annual report of Anheuser-Busch, Inc., for the year ended Dec. 31, 1944, shows net profit of $5,639,253, or $6.27 per share of capital stock, compared with $6,081,789, or $6.76 per share in 1943. Reduction in profit resulted from higher costs of raw materials and other uncontrollable cost increases incident to operations under wartime restrictions. Balance sheet continued to reflect company's characteristically strong working capital position.

Local Secondaries

During the past few weeks, St. Louis dealers have participated in several local secondary offerings. On Feb. 26, Newhard, Cook & Co. sold 5,000 shares of Consolidated Retail Stores common at 9½. On the same day, Stifel, Nicolaus & Co., Inc., distributed 1,800 shares of Johnson, Stephens & Shinkle Shoe Co. at 14¼. Reinholdt & Gardiner, and Stifel, Nicolaus & Co., Inc., offered 5,000 shares of Huttig Sash & Door common at 20 on March 5.

Smith Moore Admits Canavan and Crago

ST. LOUIS, MO.—Smith, Moore & Co., 409 Olive Street, members of the St. Louis Stock Exchange, are admitting James M. Canavan and John H. Crago to partnership in the firm as of today. Both were formerly partners in Gatch & Co. and Crago, Smith & Canavan. In the past they were with Smith, Moore & Co.

Kauffmann Adds Duester

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Anthony Duester has joined the staff of John R. Kauffmann Company, 506 Olive Street.

Railroad Securities

Alleghany Corporation preferred has reacted fairly substantially from the year's high during the past week or so. Speculative enthusiasm was apparently dampened by the loss of a substantial block of the Chesapeake & Ohio common due to conversion of the Alleghany Corporation bonds which had been called for redemption early this month, and by the report of an Interstate Commerce Commission Examiner on the question of control of Chesapeake & Ohio. The Examiner suggested that Alleghany Corporation, and Messrs. Young and Kirby, be required to divest themselves of control of Chesapeake & Ohio and its controlled railroads.

It is believed in most quarters familiar with the situation that the Examiner's "suggestion" with respect to the control of Chesapeake & Ohio will not have any adverse effect on the Alleghany securities. Even if the "suggestion" brings forth an order from the Commission for divestment of control it is expected that the matter will be taken right through to the highest courts. Thus, it would be a long time before any definite action could be expected. Even if Alleghany is eventually forced to divest itself of the Chesapeake & Ohio stock it is hardly likely that this disposition would be ordered in a manner to work hardships on Alleghany security holders. Rather, it is likely that the stock could be trusteed until such time as there was an advantageous opportunity to dispose of it.

The other development, loss of Chesapeake & Ohio stock through bond conversions, does affect the stock to some degree. In the first place it reduces the leverage factor which would have worked in favor of Alleghany preferred as Chesapeake & Ohio common worked above $50 a share. It also reduces the leverage which would work against Alleghany preferred as, and if, the Chesapeake & Ohio stock declined below $50 a share. Conversion of the bonds also brings a net reduction in the earning power of Alleghany. The interest rate on the bonds was only 3¼% and each bond was convertible into 20 shares of Chesapeake & Ohio stock on which dividends of $3.50 a share have been paid in recent years. Each $1,000 bond converted, then, means a net reduction of $37.50 in Alleghany's annual earnings, before any adjustment for Federal income taxes. There were 26,698 of the bonds ($26,698,000 face value) converted, for a loss of slightly more than $1,000,000 in annual income.

As against the factors of reduction in leverage and loss of income, there is the favorable factor of further reduction and simplification of the debt structure. As of the beginning of 1945 the company had an aggregate debt of $39,000,000 of which $30,000,000 was represented by the Convertible 3¼s and the balance by a low interest cost bank loan. Now the debt has been reduced to an indicated level of $10,700,000 all represented by low cost bank accommodations. Reduction and simplification of the debt structure naturally brings closer the possible resumption of dividends on the prior preferred stock and eventually the 5½% regular preferred.

Balancing the recent developments, most analyists fail to find any reason for the decline in prices for the Alleghany preferred. On a liquidating basis it is still selling at a substantial discount. Marketable securities still held by Alleghany have a market value of around $49,000,000. The largest item is the remaining 606,614 shares of Chesapeake & Ohio common which makes up about 70% of the total. There are also reorganization securities with a recent market value of $14,000,000 of which close to half is represented by the Missouri Pacific System. Frisco and St. Paul also account for more than $2,000,000 each. As against these marketable securities there is the debt of $10,700,000 and $8,495,012 of prior preferred, taken at liquidating price of 50 plus accrued dividends through the first half of 1945.

Just on the basis of the marketable securities, the Alleghany preferred has a liquidating value, after debt and the prior preferred, of around 55. If the North Kansas City properties are included at their written down value, and estimated cash is included, this liquidating value would be increased to around 64 or nearly 50% above the recent market.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Based on the information made available on the securities to be offered in the Seventh War Loan, together with the restrictions as to the purchasers of the forthcoming issues, the Government bond market was subjected to wide price movements last week, as the financial institutions started to adjust their positions to the new conditions. . . . The whole list was strong on Monday with gains of as much as a quarter of a point being registered in the longer-term taxables and the partially exempt obligations. . . . On Tuesday the taxable 2% group and the restricted issues, with the exception of the 2¼% due 1956/59, were under pressure, although the long-term 2½s due 1967/72 advanced, as did the partially tax-exempt bonds. . . . The long-term taxable issues on Wednesday gave up almost a quarter of a point, while the long partially exempts went into new all-time high ground. . . . The entire market was off on Thursday with the largest recession taking place in the longer-term taxables and the restricted issues. . . . The partially exempts also gave up some of their gains. . . . On Friday and Saturday some improvement was noted in the entire list. . . .

PARTIAL-EXEMPTS FAVORED

The partially exempt issues were in demand last week with the 2¾% due 1960/65 again showing the way, with a gain of about a quarter of a point. . . . It was pointed out in certain quarters that in light of the sharp advance that has taken place in the taxable issues, the yield curve of the partially exempt must be adjusted to meet these changed conditions. . . .

Accordingly it is indicated by this group that the attractiveness of the partially exempts, particularly the longer maturities, has been considerably enhanced by this development. . . . On the other hand, it is contended that the partially exempts have advanced to such high levels, with favorable developments, that with a change in the war situation they may be very vulnerable to a substantial setback from present high prices. . . .

MARKET ACTION

The restricted issues lost substantial ground last week, following the announcement by the Treasury that 2¼% and 2½% bonds would again be available for purchase by the insurance companies and the savings banks. . . . The intermediate term 2s were under some pressure during the early part of the week, but commercial bank buying near the end of the week resulted in these obligations closing the period off only slightly. . . . The 1¾% due 1948 and the shorter-term 2s were sold with the proceeds, it was reported, going into the intermediate term 2s, particularly the 2s due 1952/54. . . . The 2% due 12/15/52/54 have been somewhat more stable than the 2% due 6/15/52/54, and are selling at about the same price as the shorter issue. . . . Ordinarily a difference of six months in maturity would mean a differential of between 6/32 and 7/32 in price in favor of the shorter obligation. . . . However, in this instance, it was pointed out, that one of the reasons for the December and June 2s selling at the same price is probably the tax factor. . . . The December issue of the 2% due 1952/54 have not been outstanding long enough to allow some of the holders to take long-term profits, and this has had the effect of taking some of the selling pressure off this obligation. . . .

(Continued on page 1176)

Hill, Thompson Purchases Control of Tungsten Alloy

Hill, Thompson & Co., Inc., 120 Broadway, New York City, investment bankers of New York, have purchased control of the Tungsten Alloy Manufacturing Co., Inc. of Newark, N. J. Officers for the company will include Ross W. Parker, President; Samuel E. Magid, Director, Vice President and Treasurer; and Clermont Cartwright, Director and Vice President.

Moore, Leonard Lynch Admit to Partnership

PITTSBURGH, PA. — Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges and other exchanges, will admit Thomas Lynch, III to partnership in the firm as of March 22nd.

International Cotton Group To Meet in Washington

The State Department announced on Feb. 22 that the International Cotton Advisory Committee will meet in Washington, beginning March 26. The Associated Press reporting this said:

The committee, established in September, 1939, is charged with studying and reporting on problems in the world's cotton industry.

Member countries which are expected to send delegates are Brazil, Egypt, India, Peru, Mexico, Turkey, Anglo-Egyptian Sudan, Russia and the British and French cotton exporting colonies and the United States.

Leslie A. Wheeler, director of the Office of Foreign Agricultural Relations of the Department of Agriculture, is Chairman of the committee.

MISSOURI-KANSAS-TEXAS RAILROAD CO.

ANNUAL REPORT • 1944

To the Public:

The entire physical property of the M-K-T R. R. has been greatly improved under a comprehensive program of rehabilitation. This policy was absolutely necessary to properly maintain road and equipment to handle the tremendous increase in traffic.

The gross revenues and the freight and passenger train traffic reached new all-time highs. Because of our good earnings and a strong cash position throughout the year we have purchased and canceled a large amount of mortgage bonds. A reduction of mortgage debt and fixed charges was vitally necessary to insure solvency of the Company in the postwar period when, we feel, earnings will be substantially less than they have been during the war emergency.

The splendid results outlined here *were attained despite increased problems of management, such as labor and material shortages, mounting taxes, and a wide variety of regulations.*

Rehabilitation expenses in four years have aggregated more than $88,700,000.

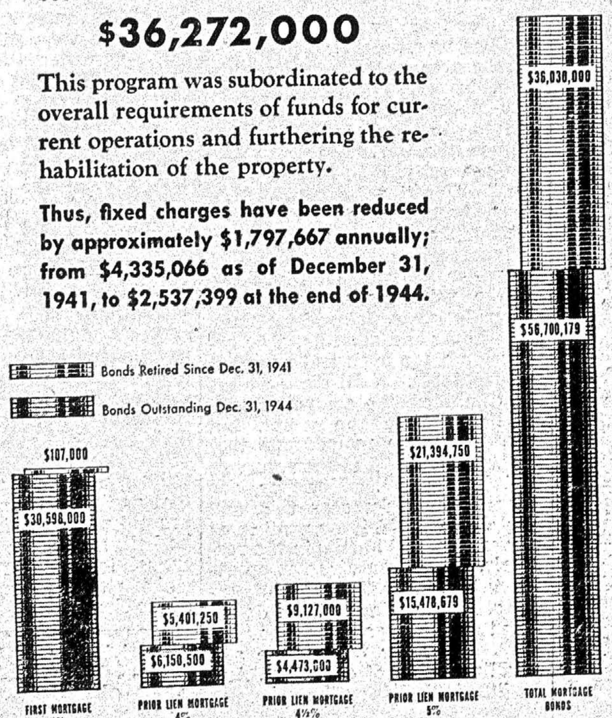
Bond Retirements

The management made marked progress in its debt reduction program started in November, 1942. Through purchase by the Company of its own bonds from that time to February 15, 1945, total bonded indebtedness has been reduced

$36,272,000

This program was subordinated to the overall requirements of funds for current operations and furthering the rehabilitation of the property.

Thus, fixed charges have been reduced by approximately $1,797,667 annually; from $4,335,066 as of December 31, 1941, to $2,537,399 at the end of 1944.



ALL of the rehabilitation expenses and the cash to purchase and retire mortgage bonds came from current earnings. To accomplish this it was not necessary to borrow funds and no additions were made to long term debt.

Facts About Katy Income and Finances

THE OPERATING REVENUES in 1944 topped all previous records in the Company's history. The sources from which these revenues were derived and how the income was used are explained in the following tables:

REVENUES FROM OPERATIONS WERE DERIVED FROM THE FOLLOWING SOURCES:	1944	Percentage of Change Compared with 1943
Transportation of Freight	$64,057,249	Increase 8.17
Transportation of Passengers	13,918,458	Decrease 1.47
Transportation of Mail, Express and Other Service	6,046,335	Increase 6.44
Making a Total Operating Revenue of	$84,022,042	Increase 6.32
Other Income Was	307,124	Decrease 4.73
Making a Total Income of	$84,329,166	Increase 6.28

HOW INCOME WAS USED	
Wages and Salaries Paid Employes (Charged to Expenses)	$33,500,604
Miscellaneous Materials, Rental of Equipment and Facilities, etc.	23,751,632
Taxes	10,542,789
Locomotive Fuel	4,717,274
Depreciation Charge on Rolling Stock and Roadway Structures	2,097,536
	$74,609,835
LEAVING for Fixed and Contingent Charges	$ 9,719,331
INTEREST on Mortgages, Conditional Sales Contracts and Other Fixed and Contingent Charges Was	$ 3,609,216
RESULTING in Net Income after Fixed Charges and Other Deductions	$ 6,110,115
OF WHICH There Was Appropriated for Possible Increase in Tax Liability and for Other Purposes	2,000,000
Balance of Income Transferred to Earned Surplus	$ 4,110,115

Conscious of the future we have made studies with a view of acquiring such modern passenger car equipment as may be necessary to render high-class satisfactory service to the traveling public and to meet competitive conditions after the war.

The management expresses its thanks to the public for the confidence imposed in us.

M. R. [signature]

CHAIRMAN OF THE BOARD AND PRESIDENT

KATY LINES

224

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

In a recent issue of Best's Bulletin Service, the statement is made that enough reports have been received from stock fire-marine companies to make the general observation that their underwriting business about broke even in 1944. This follows eleven successive years of profitable operation during which underwriting profits fluctuated between nearly 12% in 1935 and less than 2% in 1942.

With regard to stock casualty companies, figures reported thus far point to a prosperous year, about on a par with 1943, which was one of the best in casualty insurance history.

In the two tables presented below operating results for 1944 compared with 1943 are shown for a list of representative fire-marine companies and casualty-surety companies.

14 FIRE-MARINE INSURANCE COMPANIES

Net Earnings per Share

	1943				1944			
	Net Und.	Net Inv. Inc.	Fed. Tax	Total Net Operating	Net Und.	Net Inv. Inc.	Fed. Tax	Total Net Operating
Aetna Insurance	$1.08	$1.75	$0.24	$2.59	—$0.18	$2.14	---	$1.96
Agricultural	3.50	4.13	2.34	5.29	0.71	4.55	0.24	5.02
American Alliance	0.03	1.38	0.43	1.27	0.06	1.41	0.05	1.42
Bankers & Shippers	1.12	4.73	0.53	5.32	—3.50	5.20	0.03	1.67
Camden	0.24	1.28	0.21	1.31	—0.09	1.27	(*Cr* 0.05)	1.21
Continental	1.84	2.33	0.91	3.26	0.84	2.42	0.44	2.82
Fidelity-Phenix	2.18	2.63	1.04	3.77	0.77	2.70	0.35	3.12
Fire Association	0.15	3.95	0.24	3.86	—0.65	3.93	0.02	3.26
Great American	0.55	1.25	0.23	1.57	0.16	1.30	0.08	1.38
Ins. Co. of N. A.	3.49	4.00	1.30	6.19	2.06	4.32	1.00	5.38
National Union	5.27	10.99	(*Cr* 0.34)	16.60	6.79	10.56	2.18	15.17
New Hampshire	0.06	2.26	.0.30	2.02	—0.43	2.22	(*Cr* 0.07)	1.86
Phoenix	1.04	3.43	0.50	3.97	0.30	3.35	0.11	3.54
Springfield F. & M.	—0.95	5.57	0.10	4.52	—1.35	5.72	0.01	4.36

SEVEN CASUALTY-SURETY COMPANIES

Net Earnings per Share

	1943				1944			
	Net Und.	Net Inv. Inc.	Fed. Tax	Total Net Operating	Net Und.	Net Inv. Inc.	Fed. Tax	Total Net Operating
Aetna C. & S.	$16.21	$7.39	$12.72	$10.88	$17.59	$7.66	$6.30	$18.95
American Casualty	0.66	0.68	0.34	1.00	1.22	0.96	0.19	1.99
American Surety	3.99	3.25	2.20	5.04	7.07	3.66	5.40	5.33
Continental Casualty	4.19	1.98	2.50	3.67	5.10	2.41	2.87	4.64
Fidelity & Deposit	22.65	5.30	12.38	15.57	25.33	5.68	10.72	20.29
New Amsterdam Cas.	4.83	1.81	2.15	4.49	3.40	1.81	2.50	2.71
Standard Accident	8.25	2.67	6.68	4.24	9.56	2.90	4.60	7.86

In both tables figures are for parent companies only and do not include operations of partially or wholly-owned subsidiaries. Net underwriting profits have been adjusted to represent the change of stockholders' equity in the unearned premium reserves.

In the fire-marine group, one company only, viz., American Alliance, shows better net operating earnings in 1944 than in 1943. The main factor in the decline in earnings was a sharp drop in underwriting profits, which were affected by the marked increase in fire losses last year compared with 1943. Most of the companies show satisfactory improvement in net investment income, a result mainly attributable to total invested assets being some 8% higher than a year ago. Federal income taxes, being chiefly levied against statutory underwriting profits, were generally lower. Investment income is relatively, though not entirely, free from the Federal income tax; bond interest is taxed, but 85% of the income derived from equity securities is exempt. It will be observed that the Federal tax in 1943 was considerably higher than in 1944.

With regard to the casualty-surety companies listed, their 1944 operating results were substantially better than in 1943. The only exception is New Amsterdam Casualty. Federal taxes in the case of this group were higher in 1944 than in 1943, the reverse of the situation with the fire companies.

The tax impact on earnings during the war has become relatively severe, although it is not nearly as burdensome as in the case of other types of business and industry. In 1943, the Federal taxes on the fire-marine companies under review, produced an average ratio to total net operating profits before taxes of 16.5%. Agricultural had the highest percentage with 30.7%, as compared with only 5.4% and 3.3% in 1939 and 1940, respectively.

In the case of the casualty-surety companies the impact is appreciably higher, due to the fact that a smaller proportion of their total earnings is derived from investments. In 1944 the average ratio to total net operating profits of the seven companies shown was 34.5%. An interesting example is Fidelity & Deposit, where the tax of $10.72 in 1944 represents 34.6% of total net operating profits. This compares with a 15% ratio in 1939.

The probable lowering of the normal and surplus tax rate and elimination of the excess profits tax some time after the war is a bullish factor in the long-term outlook for fire and casualty insurance stocks.

Foreign Exchange Insufficiency And Exchange Instability

(Continued from first page)

operation of the National Foreign Trade Council in 1944 involving 850 American creditors with accounts totalling $8½ millions, as well as other outside accounts bringing the total to over $10 millions. These situations were all cleared by the process contemplated by the three banking organizations in their joint study entitled "Practical International Financial Organization Through Amendments to Bretton Woods Proposals." They proposed in effect that the International Bank for Reconstruction and Development be set up, that it be authorized to negotiate stabilization agreements, collect information with respect to monetary and economic matters and to make loans under proper safeguards for stabilization purposes.

Take for example the Brazilian situation leading up to the two unfreezing arrangements. Studies by the proposed bank, had it then been constituted, would have shown that while in 1929 Brazil's exports of coffee, some 14 million bags, were valued at £67 millions, by 1934, though her exports continued on the 14 million bag level, their value had dropped to £21 millions. The price of her other principal exports, cotton and cocoa, similarly influenced by the world depression, also fell to unprecedentedly low prices. From 1929 to 1934 Brazil's exports shrunk 36%, while her imports fell 50%. However, a study of the situation such as the bankers report proposes, would have indicated that while this move was in the right direction, it was obviously insufficient to continue the debt service exceeding £20 millions on Brazil's external debt. Such a bank would undoubtedly have sponsored negotiations such as those that were undertaken in 1933 resulting in scaling down the service on the foreign debt and various arrangements by the Banco do Brazil for the conversion of blocked milreis balances deposited as security for imported merchandise. In 1935 our Export-Import Bank took exactly the action, which the bank-study proposes as a function of an International Bank, by agreeing to buy from United States holders, obligations of the Brazil Government bearing the endorsement of the Banco do Brazil to liquidate the additional blocked funds which had accumulated since 1933.

This, it seems to me, is the sort of practical aid that an International Bank might lend whenever there is a temporary insufficiency of currency. On the other hand, I find myself unable to discover any practical relationship between the business of our foreign traders and a proposed monetary fund. To show you what I mean, let me over-simplify the operation of the proposed fund by describing it in terms of a supply of water rather than of currency. Let us assume that 44 settlers have taken up an area of land for development. Some sections are naturally fertile; others are eroded, requiring hard work to extract a tolerable living; still others are arid, affording at best a precarious existence. The development proceeds as one might expect. The rich grow richer, and the poor grow poorer. The rich find themselves involved in the poverty of their neighbors, because poor neighbors are poor payers, and politically unstable. Which leads naturally to the question—Would it not be in every settler's ultimate interest to make the bounty which nature and industry have produced for some, available to all?

This is the essence of the Bretton Woods proposals:

The proposals are two-fold—an International Bank, and an International Monetary Fund. The Bank is based upon established banking and investment principles with the expressed stipulation that loans must be investigated in advance by a competent committee and must give adequate promise of repayment. It gives promise of performing one of our major international responsibilities, post-war, by reopening the channels of foreign investments and foreign loans.

The other proposal is an International Monetary Fund, which operates upon a principle so novel that it may be best explained in terms of our 44 settlers. They have universal need for water. The supply, however, varies. There is some natural inequality which, however, has been accentuated by deforestation, and by ignoring soil conservation practices. Even when proper practices have been followed, they are sometimes temporarily frustrated by natural disturbances, such as tornadoes, or by destructive incursions by tribesmen from without the area. What more natural than, by cooperative action, to erect a centrally located storage tank to which each will contribute a quota of water. The first problem, naturally, is to fix the quota each settler is to supply. Obviously, those who need water most can supply the least. Morever, and more difficult is the fact that the water differs in quality. Some of the water is sparkling and palatable; some flat and tasteless; some bitter and alkaline. The remainder is too dark and nauseous to be potable. If all these waters are combined, the compound will be better than the worst, but nevertheless so malodorous that the whole content of the reservoir will be suspect. However, the planners have foreseen this, and propose to avoid it by putting 44 separate compartments in the reservoir. The reservoir so compartmented and filled with 44 different sorts of water will be designated the international water fund. Now for the unique and novel principle of operation. Any participating settler is entitled to draw out **double** the volume of water he has supplied, and not from his own compartment but that compartment which is filled with water best suited to his taste.

Thus is created the question which students of the Monetary Fund call the problem of scarce currencies, but which we will call the problem of the exhaustion of the pure water in storage. If a settler can put in a gallon of brackish water and withdraw two gallons of sweet water, how long will it be before only the brackish water remains? Quite a while, say the planners, because the settler is entitled to withdraw only a quart each year. Still, at the end of eight years, the settler will have exhausted his right to withdraw further water. What is more, he will owe the reservoir two gallons of sweet water. At this point, inquire the students, will the plan prove to be not a novelty, but simply a repetition of the familiar pattern in which the still liquid settler forgives the debt, refills the empty sweet-water compartment, and starts the cycle again.

Then there is the question which students of the Monetary Fund raise as to its "basic principle" of automatic withdrawal, but which we will call the right to draw water without showing that it will be put to fruitful use. Would a settler with potable water willingly enter into a pool in which he had only a minority vote as compared with the water-scarce members? Would he not expect to find the water-scarce settlers obligated to institute reforestation, and adopt tillage practices which were calculated to conserve rainfall?

Questions such as these lead students of the Monetary Fund to question whether it is not too ideal for this world, in assuming that users will employ it wisely, rather than asking them to state their cases before having recourse to the Fund. To judge this issue, the exporter is quite as competent as the technical expert. He has only to ask himself whether he believes that anyone is clever enough to set up general formulas which would prevent the misuse of the Fund.

New York Stock Exchange Weekly Firm Changes

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

Proposed transfer of the Exchange membership of Arthur E. La Branche to Henry J. Lemmermeyer will be considered on March 22nd. Mr. Lemmermeyer will continue as a partner in Homans & Co.

M. S. Hogan, partner in Curtiss, House & Co., died on March 4.

Cleveland Exch. Member

CLEVELAND, OHIO — W. H. Zink & Company, Union Commerce Building, have acquired a membership on the Cleveland Stock Exchange.

Municipal News & Notes

The widely anticipated $110,000,000 Triborough Bridge Authority, N. Y., bond issue is being publicly offered today by a nationwide syndicate headed by Dillion, Read & Co., New York City. The offering includes $55,000,000 term 2s of 1980, priced at 99, and $55,000,000 serial 2¼s, due semi-annually from Aug. 1, 1950 to 1975 inclusive, priced to yield from 1.15% to 2⅛%, according to maturity.

Of the total of $110,000,000, a block of $27,500,000 will be purchased by a group of banks in accordance with a previous commitment. This amounts to 25% of the loan and will include an equal proportion of both term and serial bonds.

Based on orders and inquiries received by the underwriting group prior to today's formal offering, the expectation is that the approximately $83,000,000 bonds available for subscription will be readily absorbed. Bulk of the proceeds of the financing will be used by the Triborough in the redemption of its presently outstanding $100,000,000 bonds and the balance will be held in reserve.

Port of New York Authority Offering Awaited

With the Triborough Bridge loan now cleared, the municipal fraternity is now looking forward to the scheduled issue of $12,000,000 Port of New York Authority refundings. This issue will be sold at competitive bidding sometime next month. Port Authority bonds have been particularly attractive in the market during recent months.

Alberta Refunding Plan Announced by Premier

Premier E. C. Manning's budget message to the Alberta Legislature contains a proposed plan of debt refunding whereby the province's present debenture debt of $129,000,000 would be reduced to $113,200,000. The plan calls for the exchange of a new 33-year 3½% callable bond, dated June 1, 1945, for existing obligations of the province. In connection with the proposition Premier Manning, who is also Provincial Treasurer, stated that the province is prepared to make an adjustment to creditors voluntarily accepting terms of the offer, as follows:

Holders of 6% debentures, now receiving 3%, may exchange them for new bonds bearing 3½% interest and, in addition, will receive an adjustment of $9 per $100. Holders of 4% bonds will receive new 3½% bonds and an adjustment of $6 per $100. Total amount of this compensation, based on a 100% exchange of bonds, would amount to $8,400,000, equal to one-third of the amount saved the province through the reduction in interest from June 1, 1935, to June 1, 1945, Mr. Manning said.

Ohio Municipal Bond Market Firm

Prices in the Ohio municipal bond market were firm in the week ended March 7, but somewhat unchanged from the high levels just recently established, according to J. A. White & Co., Cincinnati. The firm's index of the yield on 20 Ohio bonds remained unchanged at 1.28% on March 7, with the yields on 10 high grade names and on 10 lower grade names continuing, respectively, at 1.12% and 1.45%.

U. S. Tax Court Ruling on Philadelphia "B" Coupon To Be Appealed

The recent decision of the United States Tax Court holding that proceeds derived from the sale, prior to maturity date, of "B" coupons attached to City of Philadelphia refundings are subject to Federal taxation will be appealed to higher courts by interested parties.

In sustaining on March 6 the contention of the Internal Revenue Commissioner, the tax court declared that "in selling the 'B' coupons at a discount the syndicate merely sold the right to collect interest in the future, and that the proceeds of such sales must be treated the same as the proceeds from the sales of the bonds themselves with the 'A' coupons atached."

The so-called "B" coupons were attached to the refunding bonds of the city which were issued in connection with the series of debt refunding operations undertaken several years ago. The exchange offer to bondholders was made on city's behalf by a syndicate managed jointly by Drexel & Co. and Lehman Bros. Of the two sets of coupons attached to the refundings, those designated "B" represented the interest differential between the reduced rate provided in the "A" coupons, and the original rate carried on the refunded bonds to the first callable date of the latter.

This procedure was decided on in order to facilitate the objectives of the bond exchange offer and to simplify trading in the bonds. In the question just decided by the tax court involved the sale of certain "B" coupons prior to the first optional date of the old bonds.

Items in the News

The **Hampton Roads Sanitation District, Va.**, Board of Commissioners conferred with bond counsel recently regarding the advisability of an early offering of all or part of the $6,500,000 sewage construction plant and water main bonds authorized by the electorate in July, 1942. The Federal Works Agency has made grants to cover part of the initial cost of the sewage treatment system, but the district will need additional funds to pay for operating expenses and construction of further facilities when manpower and material become available. Legal proceedings in connection with the proposed bonds will be handled by **Hawkins, Delafield & Longfellow** of New York City.

A bill has been introduced in the **Rhode Island Legislature** authorizing issuance of the $754,000 Masonic Temple condemnation bond issue approved by the voters in November, 1944. Interest on the loan would be limited to 1% and the bonds are to mature within a period of 20 years. The bonds would be sold at public auction or to the State Sinking Fund Commission. Another bill awaiting consideration would explicitly empower cities in the State to issue bonds without first obtaining approval of the Legislature. Although **City of Newport** counsel has always maintained that cities possess the prerogative, a view said to be also shared by the State Attorney General, the certifying banks reportedly refused to accept the ruling in the case of Newport bond issues on the ground that the statute mentions onlys two towns. The current bill is intended to amend and clarify the act by inserting the words **"cities and"** where only towns are presently specified.

ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1944, OF

THE TEXAS COMPANY

AND SUBSIDIARY COMPANIES (Excluding European Subsidiaries)

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

GROSS OPERATING INCOME:		
Net sales (see Note 1)	$520,776,185.43	
Miscellaneous	24,247,762.79	$545,023,948.22
OPERATING CHARGES:		
Costs, operating, selling and general expenses (see Note 1)	$376,023,310.62	
*Taxes (other than Federal income taxes)	14,987,562.92	
Intangible development costs (see Note 2)	23,602,656.77	
Depreciation (including $13,693,095.04 for amortization of war emergency facilities—see Note 3)	40,008,412.85	
Depletion and leases surrendered	8,542,192.14	463,164,135.30
Income from operations		$ 81,859,812.92
NON-OPERATING INCOME (NET):		
Interest, dividend, patent and other income, less miscellaneous charges of $1,651,986.28		7,438,227.56
		$89,298,040.48
INTEREST CHARGES:		
Interest and amortization of discount and expense on funded debt	$ 3,010,377.72	
Other interest charges	1,270,843.34	4,281,221.06
		$ 85,016,819.42
PROVISION FOR ESTIMATED FEDERAL INCOME AND EXCESS-PROFITS TAXES (Less post-war refund of $1,437,500.00)		26,500,000.00
NET PROFIT BEFORE PROVISION FOR CONTINGENCIES (see Note 4)		$ 58,516,819.42
PROVISION FOR RESERVE FOR CONTINGENCIES ARISING OUT OF THE WAR		4,000,000.00
NET PROFIT CARRIED TO EARNED SURPLUS ACCOUNT		$ 54,516,819.42

*In addition, state and federal gasoline and oil taxes were paid (or accrued) to taxing authorities in the amount of $95,655,651.01.

STATEMENT OF CONSOLIDATED EARNED SURPLUS ACCOUNT

EARNED SURPLUS, December 31, 1943	$188,950,222.19
NET PROFIT FOR THE YEAR ENDED DECEMBER 31, 1944	54,516,819.42
	$243,467,041.61
DEDUCT—Dividends declared during 1944	28,079,673.50
EARNED SURPLUS, December 31, 1944 (see Note 5)	$215,387,368.11

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS ACCOUNT

CAPITAL SURPLUS, December 31, 1943	$ 76,349,337.37
ADD—Excess of value assigned to properties acquired over par value of capital stock of The Texas Company exchanged therefor	1,549,431.80
	$ 77,898,769.17
DEDUCT—Excess of cost over par value of 10,064 shares of capital stock of The Texas Company reacquired in 1944	229,555.84
CAPITAL SURPLUS, December 31, 1944	$ 77,669,213.33

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash—		
In United States	$ 85,475,944.10	
In foreign countries	3,904,040.18	$ 89,379,984.28
U. S. Government short-term securities, at cost		12,000,000.00
Notes and accounts receivable—		
Notes receivable	$ 357,379.64	
Accounts receivable	36,754,172.71	
	$ 37,111,552.35	
Less—Reserve for bad debts	650,000.00	
	$ 36,461,552.35	
Accounts and claims receivable from U. S. Government (see page 3 of report to stockholders)	27,798,409.60	64,259,961.95
Inventories—		
Crude and refined oil products and merchandise, at cost determined on the first-in, first-out method (after elimination of intercompany and inter-departmental profits) which in the aggregate was lower than market	$ 84,662,955.61	
Materials and supplies, at cost	13,921,177.34	98,584,132.95
Total current assets		$264,224,079.18
SPECIAL DEPOSITS FOR REPLACEMENT OF PROPERTIES UNDER AGREEMENTS WITH CERTAIN U. S. GOVERNMENT AGENCIES		9,306,395.73
LONG-TERM RECEIVABLES (Less reserve of $250,000.00)		2,821,397.35
INVESTMENTS IN AND ADVANCES TO EUROPEAN SUBSIDIARIES NOT CONSOLIDATED, less reserve of $5,300,000.00 (see Note 6)		4,068,875.89
INVESTMENTS IN AND ADVANCES TO COMPANIES OPERATING IN FOREIGN COUNTRIES, WHICH ARE NOT SUBSIDIARIES—AT COST, less reserve of $28,000,000.00 (see Note 6)		80,103,558.29
INVESTMENTS IN AND ADVANCES TO COMPANIES OPERATING IN THE UNITED STATES, WHICH ARE NOT SUBSIDIARIES—AT COST, less reserve of $1,300,000.00		31,192,749.97
PROPERTIES, PLANT AND EQUIPMENT—AT COST:		
Lands, leases, wells and equipment (see Note 2)	$390,011,457.40	
Oil pipe lines and tank farms	72,178,802.71	
Refineries and terminals	236,043,826.92	
Ships and marine equipment	59,287,185.11	
Sales stations, facilities and equipment	100,325,986.51	
Miscellaneous	2,857,087.15	
Total	$860,704,345.80	
Less—Reserves for depreciation, amortization and depletion	428,923,672.30	431,780,673.50
PATENTS—AT COST (Less reserve for amortization of $1,745,572.62)		879,577.26
DEFERRED CHARGES:		
Prepaid insurance, interest and taxes	$ 987,596.19	
Drilling costs on incomplete wells	4,460,489.71	
Other prepaid expenses and deferred charges	3,707,575.41	9,155,661.31
		$833,532,968.48

LIABILITIES

CURRENT LIABILITIES:		
Construction advances payable to U. S. Government (see page 4 of report to stockholders)		$ 12,432,415.82
Other notes and contracts payable (including $1,075,833.90 due in 1945 on long-term debt)		5,439,755.88
Accounts payable		30,407,521.51
Accrued liabilities		27,826,280.39
Provision for Federal income and excess-profits taxes	$ 30,550,709.76	
Less — U. S. Treasury obligations held for payment of taxes	24,620,000.00	5,930,709.76
Dividend payable January 2, 1945		5,622,289.00
Total current liabilities		$ 87,658,972.36
LONG-TERM DEBT:		
3% Debentures, due April 1, 1959	$ 40,000,000.00	
3% Debentures, due May 15, 1965	60,000,000.00	
3½% Mortgage notes payable to U. S. Maritime Commission in annual installments of $979,408.00, in connection with purchase of tankers	12,965,604.00	
Construction advances payable to U. S. Government	10,993,127.37	
Other long-term debt	641,737.52	124,600,468.89
DEFERRED INCOME AND SUSPENSE CREDITS		1,003,285.17
RESERVES (As authorized by the Board of Directors):		
For benefits under employes' plans — excluding $1,590,000.00 included in current liabilities above	$ 13,051,381.40	
For foreign exchange fluctuations (see Note 6)	2,045,779.22	
For contingencies arising out of the war	24,000,000.00	
For other contingencies	7,000,000.00	46,097,160.62
CAPITAL STOCK AND SURPLUS:		
Capital stock, par value $25.00—		
Authorized 14,000,000 shares		
Issued 12,058,789 shares	$301,469,725.00	
Less—Held in treasury, 814,129 shares, at par value	20,353,225.00	
Outstanding 11,244,660 shares	$281,116,500.00	
Capital surplus	77,669,213.33	
Earned surplus (see Note 5)	215,387,368.11	574,173,081.44
CONTINGENT LIABILITIES — Reference is made to Notes 4 and 6 with respect to certain contingent liabilities. In the opinion of the Company's General Counsel other contingent liabilities are not materially important in relation to total assets.		
		$833,532,968.48

The foregoing balance sheet and statements are taken from the annual report, dated March 15, 1945, to stockholders of The Texas Company, and should be read in conjunction with such report which contains the Notes to Consolidated Financial Statements and the certificate of Messrs. Arthur Andersen & Co., Auditors, attached to such financial statements. A copy of the report to stockholders may be had upon application to the Company. The said balance sheet, statements, and report are not intended to constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of The Texas Company.

Allied Chemical & Dye Corporation

To the Stockholders:

Herewith are presented the consolidated balance sheet of the Company at the close of business December 31, 1944, and the consolidated income account for the year.

Net income for the year was $18,025,075.

The stockholders of an industrial corporation combine their savings in a cooperative undertaking to bring together the tools of production, natural resources and human energy for the purpose of producing goods and services for customers. The customers, through their purchases, create employment and pay the costs of production. These costs consist of the cost of goods and services bought from others, the cost of human energy (wages and salaries), the cost of tools wearing out (depreciation, depletion and obsolescence), the cost of payments ordered by Government (taxes) and the cost of using the tools (amount remaining for the stockholders who own the assets of the corporation).

The Company received from customers		$274,104,501
These receipts were expended for:		
The cost of goods and services bought from others	$152,794,660	
The cost of human energy	60,451,951	
The cost of tools wearing out and contingencies	18,785,107	
The cost of payments ordered by Government	27,171,330	
The cost of using the tools	14,901,453	
Interest and dividend receipts		3,123,622
Total Receipts		$277,228,123

Sales of chemical products for 1944 were the largest in the history of the Company. A decrease in the Company's engineering and construction business resulted in a decline of 4% in total receipts as compared with the previous year. Selling prices of the Company's products, ceilings for which were established by Government regulations, approximated the level of the preceding year. Labor and material costs and taxes continued to rise. Net income for the year was 5% less than for 1943. The Company paid regular dividends of $6.00 per share.

Because of the continued uncertainties confronting all industry, $3,000,000 was provided out of income as an addition to the general contingency reserve. Research and development activities were maintained on a broad scale. Gross additions to property account amounted to $5,240,453 and retirements totaled $2,951,204.

As a result of renegotiation of Government contracts for the years 1942 and 1943, it was determined that no excessive profits were realized by the Company on such contracts during those years. Government contracts for 1944 may be subject to renegotiation. The Company is expanding on a fixed-fee basis certain existing Government facilities and is constructing a number of additional plants for the Government's account. Several more of the Company's operating divisions have received the Army-Navy "E" for excellence in performance and others have received the award a third and fourth time.

The Company will continue to do its full share in providing materials necessary for the prosecution of the war and for the supplying of essential civilian needs.

Respectfully submitted,

Dated, March 9, 1945. H. F. ATHERTON, *President.*

CONSOLIDATED GENERAL BALANCE SHEET—DECEMBER 31, 1944

ASSETS

PROPERTY ACCOUNT		
Real Estate, Plants, Equipment, Mines etc., at cost		$277,077,857.17
INVESTMENTS		
Sundry Investments at cost or less		29,971,209.86
CURRENT ASSETS		
Cash	$60,594,780.11	
U. S. Government Securities at cost	52,926,850.19	
Marketable Securities at cost	15,276,512.50	
Accounts and Notes Receivable—less Reserves	18,948,866.38	
Inventories at cost or market whichever is lower	27,621,072.39	
		175,368,081.57
DEFERRED CHARGES		
Prepaid Taxes, Insurance, etc.		1,616,930.53
OTHER ASSETS		
Patents, Processes, Trade Marks, Good-will, etc.		21,305,942.61
Total		$505,340,021.74

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	$6,914,565.95	
U. S. Government Contract Advances	498,449.62	
Wages Accrued	1,070,833.30	
Taxes Accrued	26,701,724.82	
		$35,185,573.69
RESERVES		
Depreciation, Obsolescence, etc.	$211,166,687.59	
Investments and Securities	40,000,000.00	
General Contingencies	23,546,677.82	
Insurance	2,146,067.33	
Sundry	1,991,145.99	
		278,850,578.73
CAPITAL STOCK AND SURPLUS		
Common Stock, without par value, basis $5. per Share Issued 2,401,288 Shares	$12,006,440.00	
Capital Surplus	101,037,235.00	
Further Surplus	104,097,494.80	
Total Capital Stock and Surplus	$217,141,169.80	
Deduct Treasury Stock	25,837,300.48	
		191,303,869.32
Total		$505,340,021.74

U. S. Government Securities include Treasury Savings Notes with principal value of $21,000,000; other U. S. Government securities had a market value at December 31, 1944 of $31,932,351. Marketable Securities consisting of 150,500 shares of common stock of the United States Steel Corporation and 270,000 shares of capital stock of the Air Reduction Company, Inc., listed on the New York Stock Exchange, had a market value at December 31, 1944 of $19,732,625. Treasury Stock consists of 187,189 shares of common stock carried at cost. Post-war U. S. and Canadian tax credits totaling $2,185,838 are included in Sundry Investments.

Further Surplus consists of $82,475,650 earned surplus accrued to the Company since its organization and $21,621,845 accrued to its subsidiary companies prior to the Company's organization.

CONSOLIDATED INCOME ACCOUNT
YEAR ENDED DECEMBER 31, 1944

Gross income (other than dividends and interest) after provision for depreciation, obsolescence, repairs and renewals, all state, local and capital stock taxes	$38,534,059.53	
Provision for General Contingencies	3,000,000.00	$35,534,059.53
Other Income:		
Dividends	$2,703,272.98	
Interest	420,348.53	3,123,621.51
Gross Income before provision for Federal Income and Excess Profits Taxes		$38,657,681.04
Federal Income and Excess Profits Taxes		20,632,606.01
Net Income		$18.025.075.03

SURPLUS ACCOUNT

Surplus at December 31, 1943	$200,394,248.77	
Net Income year 1944	18,025,075.03	$218,419,323.80
Dividends declared on Common Stock	$14,407,728.00	
Less: Dividends on Treasury Stock, not included in Income	1,123,134.00	13,284,594.00
Surplus at December 31, 1944		$205,134.729.80

Amount of Federal Income and Excess Profits Taxes is after credit of $233,754 due to reduction of inter-company indebtedness and after post-war credit of $799,696.

March 8, 1945

Allied Chemical & Dye Corporation,
New York, N. Y.

We have examined the consolidated general balance sheet of the Allied Chemical & Dye Corporation and its subsidiary companies as of December 31, 1944, and the statements of consolidated income and surplus for the calendar year then ended, have reviewed the system of internal control and the accounting procedures of the company and its subsidiary companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated general balance sheet and related statements of income and surplus present fairly the position of the Allied Chemical & Dye Corporation and its subsidiary companies at December 31, 1944, and the results of their operations for the calendar year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WEST, FLINT & CO.

Sen. Vandenberg Supports Eden's Warning to Lublin Polish Gov't

(Continued from page 1147)

Speaking in Commons, Eden, who has expressed strong dislike of the Polish regime at Lublin, told it bluntly to avoid persecutions if the present negotiations in Moscow for a new Polish Provisional Government are to have British confidence.

"In the view of the British Government," he said, "if the necessary atmosphere of confidence is to be created, which alone can insure the success of the present consultations in Moscow, it is imperative both that the Lublin administration should take no measures against Poles merely because they do not recognize their authority and that such Poles should cease active resistance to local authorities which endangers the lines of communications of the advancing Russian armies."

Mr. President, both these warnings are imperative. The Government of the United States should be equally frank about this situation. There is no escaping the fact that the treatment accorded Poland, symbolizing generally the attitude of the United Nations toward our smaller Allies in this war for liberation, will have a large effect upon the success of our ultimate plans for collective security and organized peace. It might also have a controlling impact upon American public opinion and its attitudes toward these plans.

I do not at the moment discuss the entire Yalta program as it affects Poland; but, as did Eden yesterday in British Commons, I emphasize the dreadful importance of the decisions now being made in Moscow by a committee, in which Americans are participating to create a new Provisional Polish Government. Of course, at best it is a curious process when an American, a Britisher, and a Russian, with no Poles present, sit down together to create any sort of a government for Poland—remembering that the preservation of Polish independence and self-government was the world's springboard into this war and remembering also what the Atlantic Charter had to say upon related subjects. But the fact that we have imposed this current trusteeship upon Poland and are participating in it ourselves simply accentuates and magnifies the importance of our share of this responsibility to see to it that this new Provisional Government is truly a representative Polish coalition.

Senators know that heretofore Moscow has recognized the Lublin Government; they know that Britain and America have recognized the constitutional Polish government-in-exile in London. The recent Yalta Conference resolved this dilemma by constituting a committee of three—Molotov for Russia, Kerr for Britain, Harriman for us—to create a new, temporary Provisional Government, presumably representative of all the Polish parties in interest. It is to these negotiations that Mr. Eden referred yesterday in British Commons. It is to these negotiations and our part in them that I now similarly refer.

Let me give one simple example of what I mean. Except for the total good faith in which this and other arrangements are carried out to create a truly independent Poland, except as the decisions of this committee currently sitting at Moscow evidence the total good faith in this aspect, it is asserted that General Anders who most of his Polish patriots who bore the brunt of the ghastly Cassino battles, and who are our comrades-in-arms on the battle fronts of Italy at this moment, will be virtually homeless and men without a country. It is asserted that General Bor and most of his brave and sacrificial underground will find themselves in a similar status. They have all been outlawed by the Lublin Government. In whatever degree this is true, it seems perfectly clear to me that one of the acid tests which must be applied to the character of the new Provisional Government which we are now participating in creating—and that is the whole point of what I say—will be whether General Anders, General Bor, and their Polish patriots once more have a country and have a home.

My general view, Mr. President, respecting all the temporary decisions which are being made in the midst of war is well known. Inevitably many of them unavoidably consult expediency. Expediency and justice frequently are not even on speaking terms with each other. The hopes of men for permanent peace, however, cannot subordinate basic justice to expediency. Therefore, it is my dearest desire that all these decisions made under the pressure of war shall be temporary in fact as well as in name; that they shall pass in full review at the final peace table; and that if injustices still remain — ranking injustices which are the seeds of friction and ultimately of war itself—they will fall squarely within the asserted jurisdiction of the new peace league for full, free, fair study and for recommended correction. As the permanent Inter-American Juridical Committee, sitting at Rio de Janiero, has bluntly indicated, if the peace league is to be merely a guaranty of the status quo after the peace treaties, then its other purposes cannot be attained unless and until the moral value of justice becomes the animating purpose of the whole new organization.

The three great military powers, Mr. President—Russia, America, and Britain—must work in harmony toward these ends. Each of us, as a matter of intelligent self-interest, must recognize the sensibilities of the others. The quicker we can all acquire this habit the safer will be our peace hopes for tomorrow.

It is for this reason, Mr. President, that I have taken the liberty of referring with complete approval to Mr. Eden's speech in British Commons yesterday, wherein he spoke of what must happen if the present negotiations in Moscow for a new Polish Provisional Government "are to have British confidence." I have taken the liberty of also suggesting certain other criteria if these negotiations shall deserve American confidence. I am not assuming that any of these essential considerations will be ignored by us or by our great Allies. I am only earnestly emphasizing the incalculable importance of these immediate decisions.

Brazil to Pay First Installment on Lend-Lease

United Press dispatches from Rio de Janeiro, March 9, stated that the Brazilian Government on that day authorized the Bank of Brazil to pay the United States $35,000,000, covering the first three installments for materials received under the Lend-Lease program.

With J. S. Bache

MIAMI, FLA.—J. S. Bache & Co., 96 N. E. Second Avenue, have added Henry W. Polson to their staff.

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN THE UNITED STATES AND CANADA

CONSOLIDATED BALANCE SHEET, *December 31, 1944*

ASSETS

CURRENT ASSETS		
Cash		$110,984,919.78
United States Treasury Tax Notes		49,770,000.00
Marketable Securities (Cost or Market, whichever lower)		4,118,648.26
Receivables (After Reserve for Doubtful)		
Trade Notes and Accounts	$ 48,946,933.61	
Other Notes and Accounts	5,215,304.88	54,162,238.49
Inventories (Cost or Market, whichever lower)		71,378,437.51
TOTAL CURRENT ASSETS		$290,414,244.04
FIXED ASSETS (Cost or less)		
Land, Buildings, Machinery, and Equipment	$356,172,210.03	
Deduct—Reserves for Depreciation and Amortization	204,651,180.60	151,521,029.43
INVESTMENTS (Cost or less)		
Affiliated Companies in United States and Canada	$ 757,919.61	
Affiliated Companies outside United States and Canada	3,050,932.87	
Foreign Subsidiaries	20,980,893.86	
Other Securities	567,865.60	25,357,611.94
DEFERRED CHARGES		
Prepaid Insurance, Taxes, etc.		1,872,175.73
POSTWAR REFUND OF EXCESS PROFITS TAX		12,013,915.93
(Includes $2,438,679.04 Excess Profits Tax Refund Bonds)		
PATENTS, TRADE-MARKS, AND GOODWILL		1.00
		$481,178,978.07

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable		$ 18,467,344.97
Dividend Payable January 1, 1945		6,958,341.00
Installments due within one year on Sinking Fund Debentures		1,800,000.00
Accrued Liabilities		
Income, Excess Profits, and Other Taxes	$ 95,984,540.00	
Interest	190,000.00	
Other Accrued Liabilities	4,968,878.53	101,143,418.53
TOTAL CURRENT LIABILITIES		$128,369,104.50
ACCRUED PROVISION FOR WARTIME ADJUSTMENTS *(See Note 2)*		14,000,000.00
DEFERRED LIABILITIES UNDER GOVERNMENT CONTRACTS		1,642,062.40
FIFTEEN-YEAR, 2½% SINKING FUND DEBENTURES OF UNION CARBIDE AND CARBON CORPORATION DUE SEPTEMBER 1, 1953, AFTER DEDUCTING SINKING FUND INSTALLMENTS DUE WITHIN ONE YEAR (as above)		21,000,000.00
RESERVE FOR POSTWAR CONTINGENCIES *(See Note 2)*		15,000,000.00
CAPITAL STOCK OF UNION CARBIDE AND CARBON CORPORATION—9,277,788 shares of no par value not including 136,649 shares held by the Corporation	$192,879,842.43	
EARNED SURPLUS	108,287,968.74	301,167,811.17
		$481,178,978.07

CONSOLIDATED INCOME AND SURPLUS STATEMENTS, *Year Ended December 31, 1944*

INCOME

INCOME		$161,053,777.26
Deduct—		
Provision for Wartime Adjustments *(See Note 2)*		6,315,714.28
		$154,738,062.98
Deduct—		
Depreciation and Depletion	$ 14,761,233.60	
Amortization	18,270,505.37	
Interest	674,290.45	
Income and Excess Profits Taxes (after deducting Debt Retirement Credit) *(See Note 5)*	88,400,381.60	
Less—Postwar Refund of Excess Profits Tax *(See Note 2)*	5,093,854.21	
	$ 83,306,527.39	117,012,556.81
NET INCOME FOR YEAR		$ 37,725,506.17
ADJUSTMENTS RELATING TO PRIOR YEARS *(See Note 2)*		
Add—		
Estimated Postwar Refund of Excess Profits Tax, not previously recorded through Income—Years 1942 and 1943	$ 6,920,061.72	
Deduct—		
Additional Provision for Wartime Adjustments—Years 1942 and 1943	6,920,061.72	
AMOUNT TRANSFERRED TO RESERVE FOR POSTWAR CONTINGENCIES		$ 3,244,921.72
AMOUNT TRANSFERRED TO SURPLUS		$ 34,480,584.45

SURPLUS

EARNED SURPLUS AT JANUARY 1, 1944		$104,185,352.56
Add—		
Amount Transferred from Net Income	$ 34,480,584.45	
Increase in Market Value of Marketable Securities at December 31, 1944	387,257.65	
Reduction of Valuation Reserve—Securities sold during the year	7,937.64	34,875,779.74
		$139,061,132.30
Deduct—		
Dividends Declared	$ 27,833,364.00	
Payments on Employees' Past-Service Annuities under Retirement Plan	2,939,799.56	30,773,163.56
EARNED SURPLUS AT DECEMBER 31, 1944		$108,287,968.74

NOTES RELATING TO FINANCIAL STATEMENTS

1—The principles used in preparing the accompanying consolidated statements for the year 1944 are as follows:

All subsidiaries that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and earnings of Canadian subsidiaries consolidated have been converted at the official rate of exchange. Other assets and liabilities of Canadian subsidiaries consolidated were converted at the prevailing rate at time of acquisition or assumption.

Foreign subsidiaries, all one hundred per cent owned, are shown as investments. Only that part of the income of foreign subsidiaries that was received during the year as dividends is included in income. Unaudited reports covering less than a full year indicate that the income of companies paying such dividends will exceed the amount of dividends paid.

Affiliated companies, less than one hundred per cent but more than fifty per cent owned, are also shown under investments. The equity in the net worth of some of these affiliated companies carried in investments at $3,155,231.17 increased $1,518,836.88 between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest unaudited reports received. Of this increase, $135,599.36 is applicable to the current period. No reports are available for 1944 for the remaining affiliated companies carried in investments at $653,621.31. The consolidated income does not include any part of the undistributed net income of affiliated companies.

2—For 1942 and 1943, in the statements submitted to stockholders, the estimated Postwar Refund of Excess Profits Tax was not included in Income but was credited directly to Reserve for Postwar Contingencies.

Subsequent to publication of the Annual Report to Stockholders for the year 1943, the Securities and Exchange Commission required that the estimated Postwar Refund of Excess Profits Tax, amounting to $4,990,235.24, be reflected in Income in the financial statements of this Corporation filed with the Commission for that year.

Accordingly, for the year 1944 the estimated Postwar Refund of Excess Profits Tax is reflected in Income as a deduction from Income and Excess Profits Taxes. Since the Income statement for 1943 is submitted in the current report in a form similar to that originally submitted to stockholders, the tax provisions are not comparable.

In order to reflect the Postwar Refunds of Excess Profits Tax for the years 1942 and 1943 in the financial statements to stockholders, the amount of $6,920,061.72 as income related to prior years is shown in the Income statement after the Net Income for the year 1944. Of this amount, $3,254,686.48 is applicable to 1942 and $3,665,375.24 to 1943.

The Accrued Provision for Wartime Adjustments has been credited with $6,920,061.72 applicable to the years 1942 and 1943, in addition to $6,315,714.28 which has been charged against Income for 1944.

The Reserve for Postwar Contingencies has been reduced by canceling the amount of the Postwar Refund for 1942 and 1943 originally credited to this Reserve.

ACCRUED PROVISION FOR WARTIME ADJUSTMENTS

Provided from 1943 Income	$ 2,500,000.00
Provided from 1944 Income	6,315,714.28
Additional Provision applicable to 1942 and 1943	6,920,061.72
	$15,735,776.00
Less—Estimated Cash Refund relating to 1943 under the Renegotiation Act	1,735,776.00
Balance at December 31, 1944	$14,000,000.00

RESERVE FOR POSTWAR CONTINGENCIES

1942—Postwar Refund of Excess Profits Tax	$3,780,687.87	
Transferred from Net Income	6,219,312.13	$10,000,000.00
1943—Postwar Refund of Excess Profits Tax	$4,990,235.24	
Transferred from Net Income	5,535,766.15	
	$10,526,001.39	
Less—Renegotiation Adjustment of 1942 Postwar Refund of Excess Profits Tax	526,001.39	10,000,000.00
1944—Transferred from Net Income	$3,244,921.72	
Less—Renegotiation Adjustment of 1943 Postwar Refund of Excess Profits Tax	1,324,860.00	1,920,061.72
		$21,920,061.72
Less—Postwar Refund of Excess Profits Tax—1942 and 1943 (after adjustments) as shown on Income Statement		6,920,061.72
Balance at December 31, 1944		$15,000,000.00

3—The Trustee of the Savings Plan for Employees holds Collateral Debentures of Carbide and Carbon Management Corporation secured by 78,800 shares of stock of Union Carbide and Carbon Corporation under plans for employees. As of December 31, 1944, the assets held by the Trustee amounted to $5,681,650.83. Union Carbide and Carbon Corporation has agreed to maintain the assets in the Trust Estate in an amount sufficient to permit the distribution of the Trust Estate to the persons entitled thereto.

4—Payments relating to years prior to July 1, 1937, were made to insurance companies in the maximum amounts acceptable to such companies to apply toward the purchase of Past-Service Annuities under the Retirement Plan for Employees. These payments were charged to Surplus. This method has been consistently followed since the adoption of the Retirement Plan on July 1, 1937. Payments for the purchase of Future-Service Annuities were charged against income.

5—Income and Excess Profits Taxes as computed for the year 1944 are lower in the amount of approximately $2,360,000.00 by reason of payments during the year 1944 for Past-Service Annuities in the amount of $2,939,799.56 which were charged to Surplus. Income and Excess Profits Taxes are charged against income after reducing such taxes by the amount of $2,366,900.00 in 1944 and $1,429,100.00 in 1943 representing the Debt Retirement Credit permitted under the Revenue Act of 1942.

6—A review of the operations for 1943 under the Renegotiation Act has been made during the past year. Pending final settlement under the Act, a reduction has been made of $15,411,728.00 in the value of sales and of income before taxes for that year. After allowance of $13,675,952.00 paid in taxes, the estimated cash refund to the Government in the amount of $1,735,776.00 has been charged to Accrued Provision for Wartime Adjustments and included in Other Accrued Liabilities. Also, a reduction in the Postwar Refund of Excess Profits Tax for the year 1943 has been made amounting to $1,324,860.00. It is impracticable to determine the effect of this Act on the operations for the year 1944. Therefore, no specific provision pertaining to 1944 operations has been made out of 1944 income other than the general Accrued Provision for Wartime Adjustments against which possible refund under this Act and other adjustments arising out of war conditions will be charged.

AUDITORS' REPORT

UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1944, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Except that it was not practicable to confirm receivables from United States Government agencies, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1944, and the results of consolidated operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except that the postwar refund of excess profits tax for 1944 is reflected in income of that year, whereas the postwar refund for 1943 was not reflected in income of the year 1943 as set forth in the Annual Report to Stockholders for that year.

HURDMAN AND CRANSTOUN
Certified Public Accountants

New York, N. Y., March 10, 1945.

Mutual Funds

A "Growth" Business

Last year mutual funds—"open-end" funds whose shares are redeemable at asset value—sold approximately $169 million of new stock; compared with about $116 million during 1943.

Combined assets of these "open-end" investment companies were $882 million at the end of 1944 and, for the first time, exceeded the total assets of the "closed-end" investment companies.

GROWTH RECORD OF MUTUAL FUNDS
(68 open-end funds)

	Sales	Repurchases	Number of Shareholders	Total Net Assets
1944	$169,228,000	$70,815,000	421,675	$882,191,000
1943	116,062,000	51,221,000	341,435	653,653,000
1942	73,140,000	25,440,000	312,609	486,850,000
1941	53,312,000	45,024,000	293,251	401,611,000

Diversified Investment Fund

Revealing that in its first three months **Diversified Investment Fund** (a series of **New York Stocks, Inc.**) has enjoyed sales of over $3 million, **Hugh W. Long & Co.**, the sponsor, has published a handsome new folder on this fund entitled "The Open End Investment Company—What It Is—What It Does." This folder describes mutual funds in the simplest possible language and ties this description in with Diversified Investment Fund. The folder shows the portfolio of Diversified Investment Fund as of Feb. 23, 1945. On that date investments were divided among 10 bond issues, 17 preferreds and 17 commons, with 2.32% of the fund in cash.

Potential

Using the recent increase in the dividend on General Electric common stock as an example, **Lord, Abbett**, in the current issue of **Abstracts**, explores the potential which currently exists for dividend increases by many other corporations even before the end of the war.

"The dividend action taken by General Electric suggests that a turn may have come and that from now on dividends may be more liberal and assume a more normal relationship to earnings. It is hardly necessary to mention the influence such a development would have on the market valuation of common stocks."

An Undervalued Group

"Practically everyone is aware," writes **Distributors Group**, "that steel stocks have lagged—

(1) behind the market,

(1) behind steel production."

In a new folder on **Group Securities' Steel Shares**, this sponsor tells why steel stocks have lagged and why they "offer exceptional opportunities for profits." There are five charts in the folder visualizing the various points made and leading to the conclusion that "steel stocks appear undervalued in relation to present earnings and drastically undervalued in relation to their post-war outlook."

The Big Squeeze

During the past 12 years investors have been squeezed between the upper millstone of declining interest rates and the lower millstone of rising living costs. **Keystone Corp.**, in the current issue of **Keynotes**, does a good job of visualizing these facts. A chart shows that since 1933 the yield on high-grade corporate bonds is down 42% while the cost of living index is up 37%.

"Is there any relief from this dilemma?" asks **Keynotes**. To reach the objectives of capital growth and greater income, the investor must move into other classes of securities where the risk factor is increased. "This risk, however," points out **Keynotes**, "can in turn be reduced by adequate diversification and intensive supervision."

Realized Profits

In a three-page memorandum, **National Securities & Research Corp.** goes into the knotty problem of the treatment of net realized profits. There is undoubtedly still a great deal of confusion in the minds of investors with respect to the dividends they receive on their mutual fund shares. The more clearly the distinction can be drawn between dividends from investment income and distributions out of net realized profits, the better it will be for the entire business.

$115,000,000 Fund

In the semi-annual reports on **Keystone Custodian Funds B-3** and **S-4**, the Trustee reveals that total assets of the 10 Keystone Funds as of Feb. 15, 1945, were more than $115 million.

During the six months ended Jan. 13, 1945, net assets of **Keystone B-3** increased from $20,980,394 to $24,885,520 and net assets of **Keystone S-4** increased from $5,662,991 to $7,409,581. In each case the gains reflected increases both in the number of shares outstanding and in the net asset value per share.

Rail Stocks

Hugh W. Long & Co., in a one-page memorandum on the **Railroad Series of New York Stocks, Inc.**, compares the 70% advance in this series with the 54% advance in the Dow-Jones Rail Average since the first of 1944 and lists the main reasons why rail stocks are "still considered cheap."

* * *

Mutual Fund Literature

Selected Investment Co.—Current issue of "These Things Seemed Important"; current portfolio memorandum showing diversification of a $10,000 investment in **Selected American Shares**. . . . **Keystone Corp.**—A chart showing price movements of all **Keystone Funds** since 1940. . . . **Distributors Group**—Current issue of **Railroad News**; current portfolio folders on **Railroad Bond Shares, General Bond Shares** and **Low Priced Shares**; special month-end price comparison on all classes of **Group Securities, Inc.** . . . **Hugh W. Long & Co.**—Current portfolio folder on **Manhattan Bond Fund.**

Dividends

Group Securities, Inc.—The following dividends payable March 31, 1945, to shareholders of record March 16:

Class—	Regular	Extra	Total
	—For First Quarter—		
Agricultural	.05	--	.05
Automobile	.05	.02	.07
Aviation	.03	.07	.10
Building	.05	--	.05
Chemical	.04	.01	.05
Electrical Equip.	.08	.02	.10
Food	.04	--	.04
Fully Administered	.03	.10	.13
General Bond	.09	.06	.15
Industrial Mach.	.07	.03	.10
Institutional Bond	.09	.04	.13
Investing Co.	.04	.11	.15
Low priced	.04	.06	.10
Merchandising	.07	.05	.12
Mining	.02	.04	.06
Petroleum	.04	.06	.10
Railroad Bond	.05	.08	.13
Railroad Equipment	.04	.04	.08
Railroad Stock	.04	.04	.08
Steel	.04½	.02½	.07
Tobacco	.04	--	.04
Utilities	.03	.02	.05

Fidelity Fund, Inc.—A dividend of 20 cents per share payable March 26, 1945, to stock of record March 13.

Vanderhoef & Robinson Admits Bernard W. Green

Bernard W. Green, member of the New York Curb Exchange, becomes a partner in Vanderhoef & Robinson, 31 Nassau Street, New York City, members of the Curb. Mr. Green has been active as an individual dealer in New York City and prior thereto was a partner in Vanderhoef & Robinson and in Green & Frost.

Linsz With Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Howard C. Linsz has become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Cleveland Stock Exchanges. Mr. Linsz was with George I. Griffiths & Co. and Hornblower & Weeks.

Britain and Sweden In Monetary Agreement

The British Government published on March 8 the terms of an Anglo-Swedish monetary agreement to which considerable importance is attached in British financial circles, especially, it is noted, those that favor the perpetuation of the sterling-kroner rate of 16.90. Wireless advices from London March 8 to the New York "Times" reporting this, went on to say:

"The Central Banks of both countries agree to sell such amounts of their local currencies against the local currency of the other as may be required for legitimate purposes.

"As in the case of the Anglo-Belgian agreement, balances will be available for transfer or expenditure within the sterling area but will be convertible into other currencies only by mutual consent.

"The most important feature of the pact, and one in which it differs from the Anglo-Belgian agreement, is that no limit is set on the amount of each other's currencies that will be held. Although there has been a steady balance of payments in Sweden's favor and this balance is expected to increase because Britain will need timber, wood pulp and iron ore and will not be able for some years to ship coal, textiles, textile machinery and steel products in return, both countries agree to keep any surplus receipts of the other's currency without restriction.

"In answer to a question in Parliament today Sir John Anderson, Chancellor of the Exchequer, said that the new agreement did not conflict with the Bretton Woods pact."

Terry Mastin Co. Formed

MONTGOMERY, ALA.—Terry Mastin has formed Terry Mastin & Co. with offices in the Vandiver Building to act as dealer in Investment Trust issues.

Passage of Bill Fixing Emergency and Normal Tax Rates on Stock Transfer Urged

The Commerce and Industry Association of New York, Inc., on March 12 called on the members of the Assembly to support passage of the Wicks-Archinal Bill fixing the emergency and normal rates of the Stock Transfer Tax. In identical letters, Association Secretary Thomas Jefferson Miley wrote:

"This bill maintains the emergency tax and normal tax upon stock transfers on a graduated scale granting relief in rates for the lower-priced stocks, but divides the rates into two brackets, normal and emergency, thus maintaining the emergency tax for possible elimination in the future.

"The Coudert-Mitchell Bill, also pending in the Legislature, ostensibly proposes to eliminate the emergency tax and place the Stock Transfer Tax on a graduated basis dependent upon the cost per share of the stock. From an examination of the rates proposed in the bill it is evident that the emergency tax is not eliminated but actually frozen into the normal tax."

OUR REPORTER'S REPORT

In keeping with the changing pattern of the investment market interest is now shifting in the direction of refinancing outstanding preferred stocks of corporations on a lower dividend basis.

This week's offering of 150,000 shares of new preferred stock of Continental Can Co., which incidentally proved a marked success, is looked upon as likely to prove the forerunner of a much more substantial volume of such business.

The Continental Can offering, by the way, set several new marks. The dividend rate, $3.75 annually, is the lowest fixed thus far for an industrial issue. And the gross spread between the price paid to the company and the basis of offering to the public, 102½, set a new minimum, comparing with a spread of 2½% on a previous issue.

Since the Treasury's forthcoming new War Loan is expected to reflect the decided change in the investment market generally in the last few months, and since such issues are recognized as setting the pace for the money market, it is widely expected that corporations will move to reduce the cost of their senior equity capital by a program of replacements.

Even though utilities, the most fertile field for such undertakings, have been active already in that direction, it is now assumed quite widely in underwriting circles that this industry will provide the bulk of such new offerings for some time to come.

A number of industrial companies are likewise in position to undertake such capital adjustments though a few are plagued with non-callable preferreds.

Bids for Pacific Gas

Proponents of competitive bidding brought another opponent to bay this week when the Pacific Gas & Electric Co., which sought to negotiate the sale of $80,000,000 of new bonds was ordered to do the job through open competitive auction.

The company lost out on two counts. First the Supreme Court upheld the contention of the Securities and Exchange Commission that the company was a subsidiary of North American Co. and therefore subject to provisions of the Public Utility Holding Co. Act.

Shortly thereafter the California Railroad Commission ordered open bidding over the objections of the company's officials. Under the indenture covering the $84,193,000 of Series G 4% bonds which the company plans to refinance, holders must be given 50 days' notice by April 1. It is hoped that the program can be whipped into shape in order to permit such due notice in time.

At least two bids are seen in the making with a group headed by Halsey, Stuart & Co. in the field, having fought for competitive bidding while Blyth & Co. headed another syndicate which sought to negotiate the purchase.

110 Million Triboroughs

The biggest refinancing undertaking in months, that of the Triborough Bridge Authority, was expected to reach market today. Bankers were reported putting the finishing touches to this operation which was slated to reach a total of $110,000,000.

This financing has been on the way for weeks with the issuer and bankers presumably determined to time it for a most favorable reception in view of its size.

The transaction will permit the Authority to take up its entire outstanding $98,000,000 debt and will put it in funds to go ahead with part of such prospective work as it has mapped out when conditions permit.

The new issues were expected to be comprised of $55,000,000 in serial bonds carrying a 2¼% coupon, due from Aug. 1, 1950 to Feb. 1, 1975 and an equal amount of term bonds due in 1980 with a 2% coupon.

In the Offing

Two more sizeable issues joined the roster of near-term prospects this week when Wheeling Steel Corp. and Ohio Edison Co. registered sizeable issues of refunders.

Wheeling Steel proposes to issue $24,000,000 of Series C first mortgage 3¼% bonds, due 1970, to be used along with $5,000,000 of bank loans to retire $30,000,000 of outsanding 3½s Series B.

Ohio Edison Co., which is a Commonwealth & Southern Corp. subsidiary, registered $26,089,000 of new first mortgage 30-year bonds, which it will sell to retire an equal amount of 3¾s.

Necessity of "Continuous Peace Table" Seen by Senator Wayne L. Morse

A "continuous peace table" at which all nations make "conscionable compromises" is necessary if permanent peace is to be achieved, United States Senator Wayne L. Morse, Republican, of Oregon, said on Feb. 28 at a meeting of the Women's National Republican Club in New York. This is learned from the New York "Herald Tribune" of March 1, which in part also stated:

Mr. Morse, former Pacific Coast arbitrator for the United States Department of Labor on maritime disputes and public member of the National War Labor Board, declared that problems facing the nation are "so far above the level of partisanship and party advantages that they should not even be discussed on a party basis."

Dumbarton Oaks and Bretton Woods, he said, "may not be the solution, but they are the correct approach," and he held great hope for the coming San Francisco conference "because I have confidence in the men and women who will represent us."

Despite the fact that England's earlier part in the war saved American lives, "for which we should always be grateful," Senator Morse declared that it would not be "realistic ever to let England forget that lend-lease made it possible for England to survive."

England, he said, has trade advantages, such as preferentials on lumber in British ports in the southwest Pacific, "which she might sacrifice to our advantage as a form of lend-lease repayment."

"We need some horse-trading tactics at the peace table, Senator Morse, who said he was an old horse trader himself, declared.

International trade agreements must be encouraged, he said, and multi-partite rather than bi-partite agreements adopted to a greater degreee, particularly with South American countries.

Cartels, however, should be subjected to the "microscope of Congressional investigations," he said.

"Political isolationism must be deemed dead," Senator Morse said, but "economic isolationism also must pass out of the picture if we survive fifty years as a first-rate world power."

"We have," he said, "our choice either of licking the world or participating with other nations on an international economic plan."

Goal of American Feder. of Labor

(Continued from page 1147)

continued and be enlarged upon in the future. Productive capacity can and must provide better homes, better food and clothing, more adequate medical care, finer commodities, and richer educational and cultural opportunities for all. Our country can maintain its internal unity and strength and at the same time take its rightful place, if not leadership, in promoting world security and economic and cultural advances. To do so we must sustain the highest levels of production and employment.

While our immediate responsibility is to win the war, our long-range task is the well being of all men—our specific function, the promotion of the welfare of workers. In this task the American Federation of Labor has served as an organ of expression for American democracy, manifesting its faith in both word and deed. Throughout our history we have asserted and fought for the recognition of the worth and dignity of labor, the rights of the worker in his job, a living wage, a rising standard of living for all, social security, political freedom, civil liberties, and free public education. In short, we have been the staunchest proponents of the dignity of man. The entire life of the worker is colored and shaped by his job, by the physical conditions under which he works, by the length and intensity of his working day, by the adequacy of his pay, by the extent to which he is protected against arbitrary discharge, and by the degree of the tensions under which he works.

It would be an egregious error not to look beyond the discernible horizon in an effort to visualize the kind of world which lies beyond. It must be remembered that the post-war world will be largely of our own planning and making—a world of which we will, in a great measure, be the creators.

After more than a century of intense struggle, the right of the worker to unite with his fellows, to protest and to advance his interests has been made a part of the law of the land. This right found memorable expression in the National Labor Relations Act of 1937. It declares that "employees shall have the right to self-organization, to form, join or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection."

The long road up from slavery—from feudalism to freedom, has been a tortuous and difficult one. Let it always be remembered that the essence of slavery—of feudalism, the most evil of all human degradations—is to be compelled to labor at the dictation of another. The right to work and the right to quit work are among the most basic rights of free men. Independence and freedom of action, mind are the moral bulwarks of our democratic way of life.

Employment and productive relations which obtain at present in our industrial life are in the main amicable and more or less cooperative. However, there are reactionary groups which would prefer to see American trade unions crippled, if not destroyed. These groups, while they may not represent the greatest capital investment in industry, nor the greatest number of individual employers, are, nevertheless, vocal, crafty, ruthless and untiring. This reactionary section of American industry will seek to employ the difficulties of reconverting industry from a wartime to a peacetime basis as a means of extending their control over American life.

Already we find some of the workers rights being challenged. Anti-closed shop constitutional amendments have been proposed and encouraged by these reactionary employers in Florida, California and Arkansas. This type of constitutional restriction was overwhelmingly defeated in California but adopted in Arkansas and Florida. While it is believed that these State constitutional amendments are in conflict with the Constitution of the United States and will be held to be invalid, nevertheless they evidence clearly the temper and character of the post-war struggle which will confront organized labor.

Then, too, in 12 states, anti-labor amendments of various types have been passed. These enactments have for their ultimate objective the weakening and destruction of free trade unionism by requiring our unions to be licensed or registered before being permitted to function; in many cases they require officers and business agents to be licensed or registered. Many of these laws would restrict the expenditure of union funds, and require strict detailed financial accounting, a practice which for years has been followed by the American Federation of Labor and is now being extended voluntarily among American Federation of Labor Affiliates. Some of these laws prohibit or restrict peaceful picketing, boycotting or engaging in any form of recognized legal union activity. Others interfere with the unions right to manage its internal affairs by limiting dues, initiation fees, fines, etc., and by requiring retrial in courts of law where union disciplinary action has been taken. Some seek to outlaw the closed or union shop; and one enactment seeks to impose compulsory incorporation.

All of these laws are being contested, and it is the hope that the most obnoxious portions of these laws ultimately will be invalidated. They indicate, however, the severity of the test that lies before labor if it is to enjoy the rights, privileges and prerogatives heretofore enjoyed.

In addition to the foregoing we will be faced with the problem of accelerated productivity. Government statisticians studying industrial production are impressed with the enormous increases in production per man hour which are likely to take place in manufacturing during the first three post-war years.

As soon as the war ends and machine tool plants begin delivering, modern, up-to-date machines rapidly will replace out-moded equipment in American plants. American manufacturers also will put into practice the improved techniques acquired during the war. Increased productivity will result also from the use of new materials developed in recent years.

All these influences will have a marked effect on manufacturing industries. It is estimated that productivity will increase at the rate of 10% per year in the first three years after the war. This will mean a 30% increase in production in the three year period following the war.

The average worker in our factories will be able to produce almost one-third more at the end of this three year period than at the close of the war. This means that serious problems of unemployment are inevitable unless production of civilian goods and services expands greatly, and construction, transportation and other branches of industry also increase.

Labor must be aware of the problems that lie before it. Now is the time to prepare for the trials that later will beset all of us no matter how securely any of us may feel under present circumstances.

The specter of unemployment must not be permitted again to stalk the lengh and breadth of our land. Unemployment means hardship and misery, poverty and sickness, anxiety, grief and despair. It means the disintegration of society and the demoralization of a nation.

Prevention of unemployment cannot be accomplished by a single individual or an individual group. This dire threat to our security and economic health can only be averted by the concerted efforts of all elements responsible for the preservation of a sane human society and a dignified human existence. Labor and management, science and government have a common stake in the prevention of unemployment.

This coalition of forces implies a common responsibility and a closer cooperation than has been realized in the past. Too often in the past have these forces been divided by selfish rivalries and by divisive tactics on the part of some to out-maneuver imaginary competitors or to weaken, if not destroy, the power and influence of organized wage earners.

Closely allied with the problem of providing employment, there is the principle of an adequate standard of compensation applied to all types of work, energy and skill.

Under all circumstances, wages must be assured not merely as a bare subsistance; they must embrace family needs, comprehensively, interpreted on the basis of American standards of comfort, health, recreation, education, culture and security. This security should encompass not only the needs of the present, but also the contingencies of the future, including unemployment, ill health and old age. Provision can be made through insurance programs, but the wage scale should enable the worker to make at least a basic provision for these future contingencies.

There is no need for pessimism or alarm at the alleged high wage scales said to prevail throughout American industry. Advances in technology have been so great in the past several years that a much higher wage level than existed before the war—even the present wartime levels—can be maintained as a permanent part of our peacetime economy. And further, despite dire phophesies, there is no reason for a sharp increase in post-war selling prices of most commodities.

Here, indeed, is a field for greater and better collaboration between labor, management and government.

If our people are to exercise an effectual control over the conditions which determine their livelihood, it is imperative that the trend toward private monopoly and the concentration of power and wealth be reversed. History has demonstrated that concentration of wealth and economic power in private, monopolistic hands undermines the very foundations of all free society.

On the other hand, it is imperative that the trend toward centralization and the expansion of government control be arrested.

In our independent industrial society, with its vast production enterprises, government regulation is necessary to safe guard the general public interest. Government control can, however, assume dangerous forms.

Technological pressures, and the closing of frontiers for investment, have helped to produce a series of profound social changes. The most important of these is the invasion by the Federal Government of areas hitherto reserved for private business. This invasion cannot be defined as socialism in the orthodox sense; neither may it be termed fascism, communism or co-operative commonwealth. This new historical development toward greater centralization is a new and as yet unnamed development in modern society. One thing, however, is certain. Governments are not operated by proletarians—even in Russia—nor are businessmen in the seats of absolute control.

However, regardless of where government control is vested, matters have now progressed so far that any retreat from an era of regimented or planned economy will be a difficult task. In Russia, regimentation and planning extend to all parts of the economic machine, in Germany and Italy regimentation and planning have embraced nearly all activity, in Sweden it extended to most key points, and in the United States, up to Pearl Harbor government planning extended to finance, agriculture, natural resources, energy, social security legislation and unemployment and was just about entering the field of industrial relations. Somewhere between Russia on the one hand and the United States on the other, the pattern of other nations fall.

Then too, parliamentary democracy has been under severe pressure. The world would not seem to demand swift decisions and swift action. It is argued that parliaments and legislatures are slow in reaching decisions. Totalitarians, it is said, have cut through all this. The men at the top make quick decisions. They take quick action. However, in getting this speedy action and reaching speedy decisions, rights and privileges which make a people and a country loyal and content have been sacrificed.

These trends and tendencies are viewed with grave apprehension and one can only hope that democratic procedures can be modified to make possible speedier action and without crippling the fundamental democratic structure upon which our liberal governments are founded.

In the long history of the world, men have tried varying systems of social organization. At first, all commodities were produced in a system of slavery; then came feudalism with power vested in the feudal lord; there were monarchies, republics and dictatorships, but in all the thousands of years in the painful history of man, no one successfully has demonstrated that slavery is preferable to freedom, that serfs are happier than free men, that there is any enduring substitute for voluntary community action with the greatest good as the common goal. Nor is there to be found anywhere a more liberal government, a more progressive people and a happier and more contented citizenry than in a democracy in deed as well as in name.

It is recognized that in a modern free society, organizations of business, of finance, of agriculture and of the various professions, as well as of labor have an indispensable role to play in the development of common social objectives. As each of these groups is permitted to express its distinctive point of view frankly and openly, the public can grasp what is actually involved in any proposed line of action. This process of education makes not alone for greater enlightenment, but also permits of higher and greater attainments.

Workers of both city and country have deep mutual interests. Management and labor have spheres of common interest. Therefore each major functional group should be encouraged to perceive that the impoverishment of other groups endangers its own security and prosperity. Ultimately all will suffer, if powerful organizations of finance, business, farmers or of labor seek merely to advance their own interests without regard for the consequences on the community as a whole.

In a modern, free society, these groups exercise authority because they stand for skill, experience and practical ability and application. I venture to say that the entire social and economic structure, which goes under the name of America, would disintegrate, or become atrophied by autocratic state control were it not for a healthy inter-play between these essentially free and voluntary organizations.

It is impossible adequately to comprehend the fundamental role of trade unions in the life of a free society unless one understands the role of voluntarism in our modern society. I stress this because within this framework of voluntary association, trade unions play a decisive and an important role, apart from the mere distribution of the fruits of industry. Cooperation of these functional groups is therefore essential in the development of a framework of controlling policies for the conservation of our natural resources and the progressive organization of our productive powers. These associations, these social instruments of control, whether of labor, management, farmers or technicians, enjoy prestige, influence and useful powers because they represent the organized will of groups which play fundamental roles in our American life.

It is our belief that free labor and free enterprise are largely interdependent. Neither can last long and be free without the other. Our free community rests on community interests. It maintains itself through cooperative action, mindful of the interests of all concerned.

Experience has shown that when the rights of free trade unions are impaired, free enterprise is no longer secure. By free enterprise we mean a progressive economy which provides incentives and opportunities for individuals and groups to take the initiative and to assume the risks involved in launching new forms of productive enterprise.

By free enterprise we mean a system of free labor, a system of enterprise that will husband and utilize, not waste and dissipate our natural resources—a system committed to the progressive raising of the national income and the maintenance of full employment; a system or an economy that will provide ample support for the health, educational, recreational and similar public and social services so essential to the welfare of the working people in our industrial and commercial society. We favor a system of economic enterprise which will not be repressive, but will support the free exercise of civil and political liberties.

While we favor a system of free enterprise we are opposed to the so-called philosophy of economic laissez-faire—indeed the existence of our trade unions is the most effective refutation of the principles said to underlie this philosophy.

While we advocate freedom for enterprise and freedom for workers, we hold at the same time that all property as well as all relationships are charged with an increasing social responsibility consistent with the needs of a growing community. The history of development in our own land clearly indicate and vindicate the validity of this principle. The war period has merely accentuated the truth of the public obligation that is entailed in all our relations and possessions.

Conscription of property will not end with the war, but will actually be of immensely greater importance in the ensuing peace as the mass of the people demand adequate living standards and full employment. Greater obligations will be placed on labor as well. It has been well said that this is a social and economic world revolution.

Today, the United States is the most free of all nations. Britain, Canada and Australia have proceeded somewhat along the path of a so-called planned or regimented economy. Japan, Germany, Italy and Russia have completely regimented and planned economies, while France, Turkey, Sweden, Switzerland, Finland and other countries have more or less followed one form or anther of collectivism. Politically, socially, the differences between nations are wide. Economically, the pattern tends toward standardization.

Unfortunately the democratic countries until recently have taken their freedoms for granted. Not until recent years have they given little, if any, expression to the economic demand for work and security. Today no one can predict with any degree of certainty what the future holds in store for the overwhelming number of nations—and certainly the place of the workers and their right to free organization is in ever greater doubt and is surrounded by a greater uncertainty.

The challenge of freedom of enterprise to the freedom of labor is not so much a military one—though that danger in that direction is grave at present—as in the long run, it is an economic and social one. Can the democracies provide the goods and services which people demand in this revolutionary age and continue as democracies?

We have the resources, the manpower, the science, the technical skills, to give our people everything they require without surrendering the ballot, or the Bill of Rights. How shall we answer this challenge?

While we must be fully alert and active in the struggle against post-war reaction here at home, we must be not unmindful of the fact that the struggle against reaction is international in character. Isolationism is as dangerous for organized labor as it is in the realm of international politics. The nature of the post-war world in Europe and in Asia, and in South and Central America, is as important to American workers, to their standards of living, to their employment opportunities as any conditions which may obtain here at home. If the working populations of Europe, of Asia and of South or Central America are enslaved, either by one means or another, if there is forced labor of any kind, if slave labor in labor camps or elsewhere becomes a common thing, then American workers will be compelled ultimately to pay a price as well.

We must not allow post-war governments in Europe or Asia or South and Central America to debase living standards to the point where their commodities will compete against commodities produced by workers enjoying an American standard of livng. Neither do we favor the preclusion of the peoples of other nations to our market. There are, of course, various complex governmental and economic methods by which undue, unfair and uneconomic international competition may be partially forestalled, but in the final analysis, the most effective guarantee we could have against destructive and cut-throat international competition is the reestablishment of the free and democractic trade unions of Europe.

It is our duty, as intelligent and socially conscious workers, to render every aid at our disposal in the reestablishment of free trade unions everywhere. European, Asiatic workers—workers of all lands as well as American workers must have the organizational instruments to bargain collectively, to establish ever higher wage and working standards, and assume an ever-widening responsibility in industry and government.

Organized labor may not be in a position to deal specifically with the multiplicity of problems and duties arising from a broad concept of social justice. Certainly we must recognize our duty to study, safeguard and promote everything that advances the welfare of the worker and his family, and the community and State as well.

It seems almost unnecessary to point out how essential it is that we have a clear perspective of our aims and their needs.

Unity is of course, the very essence of our organization—unity within our ranks, and unity with kindred organizations which share our responsibilities and our common aims. While we feel confident the American Federation of Labor can continue in its progressive strides as heretofore, nevertheless rival camps, no less than rival aims, tend to retard results, mar accomplishments and even nullify results.

As we have found it necessary to pool manpower and resources to achieve a common purpose for the welfare of humanity the world over, so it seems logical there be a pooling of human interest in the attainment of social and economic justice.

Methods and conditions may differ according to tradition, time, place and circumstance. It may not be possible to achieve perfect unity, but certainly every possible effort should be made ever to more nearly attain that unity and objective.

It must be the inspiration of workers here in America to set up ideals and adopt standards which will materially influence not alone the sixty or more millions of Americans who are obliged to earn their bread in the sweat of their brows, but will likewise bring hope and encouragement to the many, many millions in other lands who look forward to a future of higher standards of life and the opportunity to attain and enjoy the peace, the security and the contentment which after all constitutes the blessings of a truly happy and free nation and a free people under God.

Domestic and International Stabilization

(Continued from first page)

wholesale prices have risen by only 40% from the outbreak of war in Europe to the present time, as compared with a rise of 110% up to the Armistice in the previous war—a shorter period by 14 months.

The achievement of this country in economic stabilization is truly remarkable when we consider the strength of the forces making for inflation. In this country in the past, it has typically been true during periods of rapid expansion that for each 2% increase in industrial production, wholesale prices on the average have risen 1%. It happened during the business cycles of the 1920's and the 1930's, and even before the first World War. Yet, during this war the United States has increased industrial production by 140% while the rise in wholesale prices has been held to only 40%.

This has been possible because all of us have come to recognize that there is no advantage in pushing up production costs that do not result in expanding production. The greater use of priorities and allocations in this war has prevented the useless bidding up of prices of the limited supply of raw materials needed by essential industries; while the wage stabilization program has prevented the uneconomic bidding up of wages in a futile attempt to attract non-existent additions to the labor force. These actions taken to prevent run-away inflation in the prices of raw materials and in wages during the war will, in turn, prevent a disastrous deflation in prices and wages in the post-war period. And it is almost certain that for the worker the general rise in wartime wages would be lost, and more than lost, through higher prices, without benefit to him or to the community.

The necessary corollary of stabilization of production costs must be the stabilization of the cost of living. Despite the great gap between incomes and the supply of consumer goods, a destructive rise in the cost of living has been prevented. Price control and rationing have succeeded in maintaining reasonable price ceilings and in apportioning fairly the scarce supply of consumer goods. The American people have cooperated with the O. P. A. in doing a good job on the home front—a good job for the consumer and the producer.

It has been the concern of the Treasury in this program of stabilization that the public pay enough in taxes and save enough out of income to eliminate the danger of excessive spending. We realize that during the war, tax rates on personal incomes have had to be increased and exemptions have had to be lowered to levels that in many cases are burdensome. And business has had to surrender the greater part of its wartime profits. War entails enormous costs, and the equitable distribution of wartime sacrifices necessitates a heavy tax program.

But taxes, even heavy taxes, would not have been enough to prevent the pulling up of living costs by excessive expenditure, if the American people had not responded to wartime needs by greatly increasing their savings, despite the taxes of about $45,000,000,000 which they paid last year. The Treasury has thus been enabled to raise nearly $200,000,000,000 at a lower interest cost than ever before. The response of the American people to the needs of the Treasury has helped reduce the pressure on prices to a manageable level.

Danger of Post-War Inflation

This wartime struggle against inflation on the home front will not end with the war. It would be a tragedy if, after having succeeded in maintaining relative stability during the difficult period of the war, we should, through too great haste in throwing off wartime restraints, permit a post-war inflation.

The problems of the immediate post-war period are urgent and important; but we must look beyond the immediate post-war period to the longer-range problem of economic stabilization in its broader sense.

Our free enterprise economy can prosper only as it expands and grows, only as it maintains a high level of production and employment in industry, in commerce and in agriculture. This is the real problem of stabilization. Unless we maintain a high level of production and employment, it will not be possible to secure the stability in prices, and in the entire economic structure, which we all earnestly seek.

Production and employment depend on finding adequate demand for the output of our farms and factories. This is a great national undertaking in which business, labor, agriculture, and government must cooperate. In every possible way, including our tax policies, we must encourage an expansion of consumption and investment. This is a country of miraculous producing power. We must make sure that our engineering genius and business enterprise, our skillful and energetic labor do not become sterile, debilitated by chronic unemployment and depression.

The people are agreed and the government is committed to an economic policy that will assure high levels of employment and a widely shared high standard of living. The measures that we must take to carry out this policy are principally domestic in character. Nevertheless, the success of our domestic measures will depend in large part on wise policies in the international economic field. A large volume of international trade and investment can contribute directly to reinforcing our domestic policies. Beyond that, we want to do what we can to see that the measures we take here are not offset by conflicting measures in other countries.

From the point of view of our own program for production and employment, from the point of view of our interest in domestic stability, it is of the utmost importance to have a healthy world economy, with expanded international trade and investment, a stable world economy free from monetary disorders and from economic warfare.

This is not a task which the United States, or even the United States and Great Britain, can do alone. In order to deal with these problems successfully, it is necessary that most of the countries engaged in international trade agree to set up and abide by fair "rules of the game." No one or two countries can or should be asked to set up and abide by such rules themselves, while others are in a position to violate them with impunity.

The Bretton Woods Proposals

Fortunately, the United Nations have recognized that international currency and investment problems are a responsibility that can be dealt with only through international cooperation. At Bretton Woods, they prepared Articles of Agreement for an international Monetary Fund and an International Bank for Reconstruction and Development.

The Fund provides for cooperation and collaboration in dealing with international currency problems. The members of the Fund would agree to define the parity of their currencies in terms of gold, to maintain the stability of the foreign exchange value of their currencies within 1% above or below this parity, and to make no changes in the gold parity of their currencies, other than minor changes aggregating 10%, except after consultation with the Fund and only with its concurrence.

Members of the Fund would also agree to maintain freedom in exchange dealings for current international transactions. Without the approval of the Fund, no restrictions would be placed upon the transfer of payments for exports, or the remittance of income from investments or other current receipts. During the period immediately following the war, countries that must deal with the problem of restoring their international economic position could retain some of their wartime controls. The Fund could at any time request a country to remove controls and restrictions which in its opinion are unnecessary and which are contrary to the purposes of the Fund.

It is a great step forward to have countries adopt such standards. But countries can undertake the obligation to maintain stable and orderly exchange arrangements only if they have access to a second line of reserves in time of need. The Fund helps member countries to maintain such policies by selling foreign exchange to a member for that member's own currency in limited amounts and under adequate safeguards to help supplement the use of its own reserves. The Fund can terminate the sale of exchange to any country at any time when, in its opinion, the country acts contrary to the purposes of the Fund.

The International Bank is intended to encourage private international investment for productive undertakings. The Bank would not concern itself with any loans that can be raised in the capital market on reasonable terms without its assistance. The Bank would guarantee or make loans that have been investigated and approved by a committee of the Bank as productive and within the capacity of the borrowing country to service. For this the Bank will charge a commission of 1 to 1½% per annum, to be put in a special reserve, on the outstanding part of the loans and guarantees it makes. The principal function of the Bank would be to guarantee approved loans; but in exceptional cases the Bank would use its own funds to make the loans directly. For direct loans, the Bank would have not more than 20% of its capital paid in, and it could raise additional funds for direct loans through the sale of its own debentures. The aggregate loans and guarantees of the Bank may not exceed its unimpaired capital and reserves; and 80% of the capital must be set aside as a surety fund to meet losses which cannot be met out of the reserves of the Bank.

The aggregate subscriptions of the United States to the Fund and the Bank would amount to slightly less than $6,000,000,000. This would represent the total commitment of the United States in the Fund and the Bank—the total amount "at risk", to use a common investment term. Of this, $3,000,000,000 would be paid in when the Fund and Bank begin their operations. About $750,000,000 would be paid in gold and the remainder of the $3,000,000,000 in the form of a dollar deposit in the Federal Reserve banks. Non-interest bearing demand notes may be substituted for that part of the deposit which the Fund and the Bank do not need currently for their operations.

Some people have said that we ought not to approve the Bretton Woods Agreements because they involve risks. Of course, they involve risks. But in weighing the risks we must not forget the greater risks that we face in a world unprepared to cope with its post-war economic problems. The real question is whether we can afford the risk of social and economic disorder in the countries that have suffered from enemy occupation and destruction, whether we can afford the risk of competitive currency depreciation and discriminatory currency practices. We must consider soberly whether we can risk repetition of the unsound international loans of the 1920's and of the economic warfare of the 1930's. The risks we take through our investment in the Fund and the Bank are small indeed, if they offer reasonable promise of avoiding these greater dangers.

The same critics have suggested that, because we do not know what political, social and economic conditions will be like in the five years after the war, we ought to wait before setting up the Fund. But it is precisely because of this uncertainty that we cannot risk the chaotic conditions that are likely to emerge in international economic and financial relations. We may be sure that if we do nothing during the next five years, we will, in fact, have done much to encourage and to perpetuate disorder and chaos in international economic relations with all of their dangerous implications for the prosperity of this country and for the peace of the world.

We do not, in fact, have the alternative of waiting until there is political, social and economic stability and then establishing an International Monetary Fund. If we do nothing, countries will be forced to adopt measures that perpetuate and intensify the wartime controls of the balance of payments. Many countries, no doubt, will feel impelled to continue exchange controls, to utilize bilateral clearing arrangements, and to adopt other measures of a similar character that would inevitably have the effect of dividing the world into conflicting economic blocs.

The Bretton Woods program is not a panacea. It cannot of itself assure international economic order. Other measures must also be taken in the political and economic spheres. The Fund, by setting exchange standards, will facilitate the progressive removal of other barriers to international trade. It must not be overlooked that competitive exchange depreciation is in effect a device for increasing tariffs and for giving bounties on exports; and exchange control is another method of placing quotas on imports. With the Fund, competitive exchange depreciation and exchange controls will be avoided, and positive measures can be taken to remove other trade barriers. Even more important, the great industrial countries must take measures at home to promote a high level of business activity. If they do not avoid depression, they cannot maintain the level of international trade and investment essential to a prosperous world.

The Bretton Woods proposals are a practical means of dealing with urgent problems. Like the Federal Reserve Act, as it was enacted in 1913, the Bretton Woods proposals are a compromise. Like the original Federal Reserve Act, they give no one exactly what he wants. And, as in the case of the Federal Reserve Act, there have been some people who say that the Bretton Woods proposals are novel, impractical, and will not work. But—again like the Federal Reserve Act—they represent a tremendous improvement over what has gone before or what will be possible without them.

The Bretton Woods proposals embody the agreement of 44 countries on difficult matters of international economic policy — an agreement achieved only by protracted negotiation. The fundamental principles of stability and order in international exchange relations for which the United States stands are safeguarded in these agreements. We believe that the Fund and the Bank will work, and that they will make an important contribution to the establishment of a balanced and growing world economy. They can help and encourage reconstruction in the countries whose economies have been disrupted by war. They can set standards for international monetary and investment policy. Together the Fund and the Bank can provide the means for constant and broad cooperation on international monetary and financial problems.

Dangers of Economic Isolation

We cannot divorce ourselves from the economic problems of the world. There can be no doubt that in a world of depression this country will find it difficult to remain prosperous; in a world of economic disorder this country will find it difficult to maintain stability. Far beyond this, an enduring peace can be built only upon the solid foundation of international cooperation in economic as well as political problems.

The world is in desperate danger of reverting after the war to economic isolation that will inevitably breed political isolation which is the sure road to war. Those who talk of waiting, of bilateral agreements with one or two countries, are in fact proposing that we do nothing, that we allow the world to drift back to the restrictions and the disorders of the prewar decade. This is a perilous policy the world cannot afford.

The Bretton Woods Agreements provide us with the opportunity to put into effect the fundamental principle that international economic problems are an international responsibility that can be met only through international cooperation. They offer the best hope of restoring and maintaining stability and order in international economic relations without which all countries will find greater difficulty in maintaining high levels of employment and rising standards of living, the real and final tests of economic stabilization.

During the period between the wars, the countries of the world let the chance for international monetary cooperation and for the removal of trade barriers slip between their fingers. If we had seized the opportunities which existed at that time we might have done much to avoid this bloodiest and costliest of wars. The whole money commitment of the United States called for in the Bretton Woods Agreements is less than the amount of dollars the Treasury has to provide for just one month of war. It is a small premium to pay for what these agreements can accomplish in helping to insure us against another such catastrophe.

Mediterranean Base Sought by Britain

The House of Commons was told on Mar. 7 by Major F. W. Cundiff, Conservative, that Britain should demand a new naval and air base on the African coast of the eastern Mediterranean, according to an Associated Press dispatch from London on Mar. 7, which also gave the following remarks of Major Cundiff:

"I am not at all concerned whether we have to take something off Italy," he said. "If a strip of land around Tripoli and another around Bengasi are necessary for our future protection we should take those steps."

Cheers greeted his assertion.

Latin American Exchange and Trade Prospects

(Continued from page 1146)

seems to offer the most promising and most convenient market in the immediate post-war period.

In the following remarks some of the more important factors governing our post-war exports to Latin America will be discussed. Although a number of somewhat gloomy reflections will be called for, they should not be allowed to obscure the basically favorable picture. The opportunity which we are facing in Latin America will be even greater than after the last war, because the Latin American republics have grown economically, have larger dollar reserves, and also because our political relations with the southern part of the hemisphere present more of a challenge. There can be no question that after the last war our opportunity was lost largely through carelessness and lack of farsightedness. To avoid similar mistakes, it will be necessary to give more serious thought to the peculiarities of Latin American trade and to develop more effective means of operation. At the end of this paper some suggestions will be made in that direction.

1. The Course of Exchange Rates

One of the major factors in post-war trade will be the exchange rate situation. During the war there has been remarkably little instability of rates, in spite of the large active balance experienced by most Latin American countries. Some appreciation of "free" rates has taken place and some minor adjustment of official rates, but there has been no general rise as there was during the last war. Whether in the light of immediate self interest the Latin American republics were wise to maintain stable rates is perhaps debatable. They might have had less inflation if they had appreciated their currencies, since this would have brought down the price of imported goods, as well as those of their own imports. The anti-inflationary effect of currency appreciation might not have been very great, however, since the high price of imported goods in many instances was due to scarcity rather than high cost. Export prices, too, might not have come down much in many instances, and the United States would probably have been forced to pay a higher dollar price for essential materials. This means, on the other hand, that by not appreciating some countries probably sacrificed an opportunity to accumulate even more dollars. On the whole, however, the benefits of maintaining stable exchanges probably have outweighed these potential advantages. For the United States, Latin American exchange stability has, of course, been a distinct gain.

Is the present degree of stability likely to continue after the war? To answer this question it is useful to look at what happened after the last war. It will be recalled that after the last war there was an explosive commodity boom which carried many prices far above wartime levels and which collapsed suddenly around the middle of 1920. The movement of exchange rates, however, seems to have anticipated the commodity development. The Argentine peso, for instance, reached a high point in 1916, another high in the last quarter of 1918, held up well through 1919, and then dipped sharply, reaching a low in the third quarter of 1921. The Chilean peso reached its high in the third quarter of 1918, then declined rapidly; the Brazilian milreis, after reaching a high in the fourth quarter of 1919, likewise plunged downward well before the commodity boom had reached its peak. It is notable that the movement in foreign exchange reserves of Chile and Argentina lagged behind the course of exchange rates and was more closely associated with the trend of commodities. The figures are not very reliable, since reserves in those days were not concentrated, but were spread all over the banking and foreign trade community; it appears, however, that Argentine reserves reached a high in the first half of 1920, while the peso was already weakening, and that Chilean reserves were at a maximum in the second half of 1919, when the Chilean peso likewise was on its way down.

I do not think that these figures yield any clear-cut conclusion, but it is evident that during those days commodity prices exercised a predominant, although not completely controlling, influence over exchange rates. After this war, too, the course of commodity prices will be of major importance for Latin American exchange rates, and from a forecast of commodity prices one can deduce, to some extent, such movements of rates as may take place. The general course of Latin American commodity prices will, of course, be determined by price conditions and the level of prosperity in the great importing countries. Whatever may happen in these countries, however, some commodities will obviously be better situated than others, and the foreign exchange prospects of the countries producing them are plainly superior. Food producing countries appear to be in the best position. First among these is Argentina, unless her present bad harvest prospects should become catastrophic, and also the countries producing coffee and sugar. Countries producing chiefly metals and minerals have the least encouraging outlook, and the future of their exchange rates is correspondingly cloudy. Pessimism in this respect is warranted all the more because some of the countries relying chiefly on metal and mineral exports have suffered particularly intense inflation during the war. Some of them, moreover, have a steady record of inflation and depreciation for long periods.

The course of export prices, however, probably will have less influence over exchange rates than it did after the last war, because new factors have entered the situation and because the structure of foreign exchange markets has changed. After the last war rates fluctuated freely and reserves were centralized only in part or not at all. Now rates are pegged, and reserves are largely centralized and usually protected by foreign exchange control. Movements in foreign exchange rates, therefore, are now mostly brought about by deliberate action on the part of the authorities and not by the free play of market forces. The basic forces remain effective, of course, but only indirectly in so far as they influence the policy of the authorities. After this war most Latin American central banks and treasuries will have a particularly great degree of freedom in their exchange rate policy, because their large reserves will protect them against having their hands forced by any shortage of exchange.

In formulating their exchange rate policy, the monetary authorities may be expected to take account of factors, many of them political, some of which otherwise would have only a remote influence upon the balance of payments and hence upon the exchange rate. The main factor which will enter into their calculations will be the increase which has taken place in domestic price and wage levels and what it would mean to business and labor if these levels had to come down sharply because of foreign competition or general deflation. Inflation in most Latin American countries has proceeded far beyond American and British experience. In order to be able to compete and not to lose their exchange reserves too rapidly, these Latin American countries may find it necessary to bring their price levels back to a more normal relation with world prices. To accomplish this necessary cure, they have the choice of one of two evils: internal deflation or currency depreciation. It is quite possible, therefore, that even though export prices may hold up fairly well, a number of countries may find it necessary to depreciate sooner or later.

In order to see this possibility against its proper background, it is necessary to look somewhat more closely at what has happened to Latin American prices. The most favorable experience has been that of Argentina, where the cost of living has gone up only about 10% since the start of the war, although wholesale prices are up about 100%. The contrast between the two indexes is so great that one may reasonably question their general validity; probably the Argentine situation is somewhat less sound than the modest increase in official living costs would make it appear. In Chile and Mexico the cost of living has about doubled. Wholesale levels have gone up somewhat less, the indication being that retail prices are to some extent inflated by speculative activities. Brazilian experience, though varying from one part of the country to another, has been somewhat better, since the cost of living on the whole is up less than 100%. In Bolivia, on the other hand, it has more than doubled. These data are based on prices prevailing a few months ago and may be considerably exceeded by the end of the war.

In addition to the rise in living costs, very substantial increases have also occurred in the value of real estate and other assets. Flushed with money and unable to obtain enough new equipment, Latin American investors have been buying up one another's property. In Brazil real estate has been going up at an astounding rate. In Cuba sugar mills have been changing hands at rising prices. In some countries this inflation in the value of equities is in itself an indication that investors are distrustful of the post-war value of their currencies. The situation is made more dangerous by the fact that in some instances, such as Brazil, many banks are heavily involved in the speculative financing of real estate.

It is plain that a shrinkage of these inflated price levels to more normal figures could not be accomplished without some very painful consequences. A relatively painless reduction can take place only in so far as the cost of

(Continued on page 1170)

Canadian Securities

By BRUCE WILLIAMS

In accordance with reiterated and confident expressions of opinion with regard to the ultimate settlement of the Alberta debt situation, which on many recent occasions conflicted with pessimistic reports emanating from Canada, it seems that a decisive stage of this protracted affair has now been reached. Premier Manning in the presentation of his first budget in the Alberta Legislature announces a refunding plan much in accordance with previous indications.

Following the formal approval of the budget, which should be automatic, since a Social Credit party caucus has already passed on the details of the scheme, a direct offer of 33-year 3½% bonds will be made to the bondholders in exchange at par for existing obligations, and a 33⅓% interest readjustment will be made in proportion to the existing coupon values.

It is to be expected that this offer will receive a fairly favorable response, but as already stated, nothing short of full recognition of the arrears of interest will suffice in order fully to rehabilitate the credit of the province in the eyes of the investing community.

As the Alberta Government has already discovered, credit standing is of delicate growth; it is easily destroyed and still more difficult to build up. However rich the material resources of the province might be their proper development is impossible unless its credit is established on a sound basis and especially free from doubt as to integrity and intention.

To take a concrete example on the other side of the picture, we have the province of Manitoba, which although it had more reason than Alberta to take the easy path of default, nevertheless chose the more difficult orthodox course and has now firmly established in the minds of investors an impression of solid integrity and respect for the capable management of the Garson Administration, which will prove of inestimable and lasting benefit to this province.

Now that the blot in Alberta's financial record has been nominally expunged, it is to be hoped that the Manning Government will take further constructive steps in the direction of a fuller rehabilitation of the provincial credit. That is of vital importance not only to Alberta but to the Dominion as a whole. No other province has greater potentialities which can only be amply realized when capital can flow freely and with security.

Within the borders of this province are to be found the greatest coal deposits in this hemisphere; in the Athabasca tar-sand area are possibly the world's greatest oil reserves in addition to the tremendous possibilities inherent in recent deep well discoveries in the southern foothills. Moreover, its fertile soil and the promising scope for greater farming develment in the northerly Peace River district hold out high hopes

(Continued on page 1173)

Latin American Exchange and Trade Prospects

(Continued from page 1169)

living has been pushed up through the scarcity of imports or through domestic transportation difficulties. Since there are no great inventories of high-priced foreign goods in most countries, a drop in the price of imports will not greatly affect the financial position of dealers who have exercised reasonable caution. Such caution on the part of many Latin American importers has been in evidence for some time. These relatively painless reductions, however, will probably not go very far to accomplish the needed deflation of domestic prices and of wages. To help new industries meet foreign competition, wages will have to come down substantially. Exports, too, may not remain profitable unless costs can be reduced, because during the last year or two rising labor and other costs have reduced the attractiveness of prices, such as the American ceiling prices on coffee and sugar, which a few years ago looked fairly high. Additional pressure on wages may thus develop which in many cases will be hotly resisted by an increasingly unionized working class. Almost the only bright spot in this picture is that American and British contract prices or ceilings have prevented a major boom in export prices, so that a serious collapse for materials which will be in some demand after the war is not at present in the cards. Nevertheless, a sufficient number of people may be hurt badly enough by a fall in prices and wages to make it advisable for Latin American governments, politically and economically, to cushion the drop if possible. A sharp deflation taken on the chin without counter measures might seriously jeopardize the stability of some Latin American governments.

Domestic industries and prices can, of course, be protected by means of tariffs, quotas, and similar devices, of which very probably we shall see a good deal. Such measures, however, would not necessarily sustain the present level of real estate and other assets. Currency depreciation would be a more effective way of tempering the blow; the basic maladjustments would then work themselves out in other, less obvious and disruptive, ways. If export prices don't hold up, depreciation becomes practically the only way of avoiding the need for a sharp reduction in domestic price levels. The prospect of fairly widespread depreciation in Latin America within a few years after the war must therefore be contemplated as a real possibility, even though the exchange reserves of those countries may be far from exhausted. The pressure will be greatest in those countries which have suffered the most intense inflation, and unfortunately, as said before, it appears that some of the metal-producing countries, which already are rather vulnerable from the viewpoint of their exports, also find themselves in a weak position on account of the more than average inflation which they have experienced. In countries which specialize primarily in foodstuffs, chiefly again Argentina, whose export prospects are good, the internal price situation also is relatively favorable. Their exchanges therefore look relatively strong from both angles. With respect to Argentina, however, it must be remembered that before the war her exchange tended to follow the British pound. Future movements of sterling, therefore, may continue to have an influence over exchange rate decisions in Buenos Aires.

Export prospects and internal prices will be the main determinants of exchange rates, but a few other factors need also to be considered. In the first place, there is the prospect of an outflow of refugee funds which must be faced by countries where capital movements are more or less uncontrolled. One may assume that non-residents will be given relatively more favorable conditions for the withdrawal of their funds than will be allowed to residents. In the past capital movements have been of particular significance for the Mexican, Cuban and Argentine exchange rates. In the last-named country, however, it has been only the "free" rate which has been immediately affected.

In the second place, it is to be expected that most countries will make an attempt to conserve enough of their present exchange resources to avoid a repetition of the early 'thirties, when some currencies took a nose dive because reserves were virtually exhausted. While adequate reserves are maintained, violent rate movements are unlikely, although minor adjustments may occur from time to time.

Finally, the Monetary Fund proposed at Bretton Woods, if established, will have a steadying influence upon Latin American exchanges. The proposal leaves a good deal of leeway for reasonably justifiable rate changes but not much for uncontrolled depreciation or deliberate undercutting of rates.

Summing up all the factors which will have a bearing upon the exchange picture, it seems fair to say that while quite a number of countries may be able to preserve stable rates and some might conceivably be in position to appreciate in the immediate postwar period, the general tendency will be in a downward direction.

2. Conservation of Exchange Reserves

Equally as important for our exports as the exchange rate picture discussed so far will be the willingness of Latin American governments to spend their wartime reserves. By the end of last year they had accumulated something like 3.5-4 billion dollars' worth of gold and foreign exchange assets, an increase of about 2.5-3 billions over 1939. These are the reserves on which American exporters have for some time been casting their eyes. Observers returning from the Bretton Woods Conference, however, have reported a general desire among Latin American representatives there to hold on to these reserves and to prevent their being squandered. This feeling appears to have been quite universal and has since found expression in various statements and actions. The guiding thought seems to be that exchange reserves should be protected against drains through capital flight, an aim which has the blessing of the Bretton Woods Conference, and that their use for large-scale importation of luxury goods should also be avoided. In that way the greatest value could be got from them for the purchase of capital equipment and for a reserve fund to stabilize currencies and meet future emergencies.

It is quite likely that if market forces were allowed to assert themselves fully a great amount of durable consumer goods would go to Latin America but perhaps not so much capital equipment. The reason is that although there has been a great expansion in the money supply, much of this has been tied up in working balances needed to finance business transactions at a rising level of prices. Many business firms therefore do not seem to have set aside particularly large amounts for the purchase of new equipment. Special financing for that purpose may frequently be necessary. Many individuals, however, have accumulated substantial balances which they seem to be anxious to convert into automobiles, radios, refrigerators, and other merchandise of quasi-luxury character. Such a buying wave would be likely to eventuate even if Latin American business conditions are not satisfactory, for in many Latin American countries the possession of a good automobile, for instance, is regarded as a kind of hedge against currency depreciation.

These considerations suggest that if effective use for industrial development is to be made of war-time reserves, their disposal will have to be controlled. It is control for such purposes which the Latin American representatives at Bretton Woods appear to have had in mind. Whether this will take the form of exchange control as at present, or of trade control through quotas or specific import licenses, remain to be seen. The probability that some action along these lines will be taken was demonstrated, however, when greater supplies became available to Latin American countries a little while ago as a result of a temporary improvement in the shipping situation. Several countries reacted to that apparently desirable development by imposing more rigid controls on imports. Further evidence of the tendency toward a more tight-fisted handling of exchange reserves was supplied a few weeks ago by Peru's action in establishing exchange control. The last more or less free exchange system was thereby eliminated from the South American scene.

3. Some Advantages of Latin American Exchange Control

The prospect of continued exchange control in Latin America should not be taken too tragically. In the first place, exchange control over currencies like those of Latin America, which ordinarily do not enter into international trade, is much less disruptive than control over a great international currency like sterling would be, for instance. If a currency like sterling is under control so that countries selling to Great Britain against sterling are under pressure to liquidate these balances by importing from Great Britain, trade will be diverted into bilateral channels to the disadvantage of all other countries. Exchange control over Argentine pesos or Brazilian cruzeiros would hardly have this effect, because few people outside Argentina and Brazil ever receive these currencies. Bills drawn on Argentina or Brazil are usually in terms of dollars or sterling or some other major currency. If Argentina or Brazil should not have the exchange to meet their obligations, a certain volume of unpaid export drafts might result, but this would hardly force Britain or the United States to set up a bilateral clearing system with Argentina or Brazil. Exchange control over Latin American currencies therefore will not be particularly disruptive of multilateral trade.

A second reason for accepting Latin American exchange control with some degree of equanimity is that, without control, most Latin American countries would find it very difficult to maintain stable exchange rates for more than short periods. Fluctuations in their foreign trade are so great that enormous reserves would be needed to stabilize rates during periods of adversity. Control over capital movements, as recommended in the Bretton Woods proposals, would hardly be sufficient, because in Latin America the main threat to exchange reserves and stable rates is not the flight of capital but the changing trade balance. In this Latin American conditions differ from those prevailing in more highly developed countries, where, as the evidence of the 'thirties seems to show, hot money movements rather than trade deficits are the chief source of danger. The explanation of this difference lies mainly in the lesser abundance, in most Latin American countries, of liquid funds capable of emigrating and in the much more violent ups-and-downs of their exports. It is unfortunate, in a way, that the Bretton Woods proposals, instead of recognizing this structural difference, appear to treat all countries alike with regard to exchange control.

A final argument in favor of the retention of present exchange controls in Latin America is the prospect that if their elimination should lead to an exhaustion of reserves, new controls would probably have to be reimposed under very disadvantageous conditions, with the attendant dangers of unpaid export drafts and default on foreign debts. A careful management of reserves by means of exchange control would greatly reduce these dangers.

4. Effect on United States Exports

If the Latin American authorities do begin to count their pennies, as seems to be their intention, it is true that hopes which foreign traders have placed in Latin America's wartime reserves may de disappointed. There would then be less buying out of reserves than is currently anticipated by some and not the same kind of buying. This probability is confirmed by a survey of the exchange holdings of the major countries and of the policies which they have followed in the past.

Of the 3.5-4 billions which Latin America had accumulated by the end of 1944, Argentina had nearly one-third. Argentina, however, has always followed a policy of maintaining very large gold and exchange reserves. In 1940, for instance, when exports fell off sharply and some inroads were being made on still very substantial holdings, the authorities preferred to curtail essential imports and to ask the United States for loans rather than dig deeper into their own reserves. It is likely that the same policy will be followed in the future, particularly so long as Argentina's political isolation deprives her of outside support. Next in size to those of Argentina are the reserves of Brazil, which at the end of 1944 may have amounted to 550-600 million dollars or more. As to the probable disposal of these funds, the Brazilian Finance Ministry some time ago published something like the following estimate:

	(In millions)
Minimum reserve for note circulation (brought up to date)	160
Reserve for exchange stabilization	100
Earmarked against outflow of refugee capital	25
Machinery and durable goods	115
Total	400

This would leave a surplus of 150-200 millions or more, which, if used, might bring total imports out of reserves to around 300 millions. Since Brazil's total imports in 1938, at low pre-war prices, were 295 millions, the amount is not particularly large. Even if Brazil should dip into the amounts earmarked as reserves, which in the light of past policies would not be surprising, the additional imports would not be of extraordinary magnitude.

Contrasting with the rather tight-fisted policy of Argentina is the policy which Mexico used to follow in pre-war years. Mexico has operated and still operates without exchange control and has usually employed its reserves boldly to stabilize its exchange rate in the face of trade deficits and capital flight until they were approaching exhaustion. Then the exchange rate was allowed to slip to a point where the balance of payments could be equilibrated and new reserves accumulated. Whether or not Mexico will continue to adhere to this liberal policy is, of course, uncertain; there have been some indications in Mexican publications that a policy of more restricted use of reserves is being considered. In view of the Mexican distaste for exchange control, such a policy, if adopted, might take the form of direct import restrictions.

Cuban exchange reserves, a large part of which consists of dollars in circulation and in the banks, have likewise in former years been allowed to go out freely when the balance of payments went against the island. This was due, however, not to any deliberate policy, but to the lack of an instrument of monetary control, such as a central bank. Within the limits of their technical means the authorities have tried hard to keep dollars in Cuba by means of taxes and at one time also by means of an exchange control system which did not work. If and when a central bank and an independent currency are established in Cuba, the authorities will have better means of controlling their reserves if they so desire.

All this suggests that Latin American exchange reserves will not be spent as freely as American exporters are hoping. Moreover, it should be noted that the size of these reserves is really not very large in relation to Latin America's normal import requirements. At a level of 4 billion dollars, reserves would be approximately 3 billions above their 1939 level, when they were decidedly inadequate, particularly in view of their uneven distribution. Latin American imports in 1938 were 1.5 billions, likewise a low figure. Making allowance for the higher post-war price level, it seems clear that reserves available for imports will be equivalent to little more than perhaps one normal year's imports. They would scarcely finance one half of the 5.8 billion dollars' worth of used and new equipment which the Coordinator of Inter-American Affairs expects Latin American countries to import within the first ten years after the war. If substantial amounts are spent on the purchase of armaments, as one much fear may happen, the amounts available, for commercial operations will be further reduced.

It is clear, therefore, that if we wish to build up a healthy and enduring trade with Latin America, we must count for the payment of our exports, not primarily on their reserves, but on their current receipts from our own purchases there and from the proceeds of new loans. The emphasis upon Latin American dollar reserves as a basis for our exports seems to reflect our old psychology of wanting to sell without buying. We ourselves would be very much surprised if we found Latin American countries basing their expectations of post-war sales to us on the fact that we have about 20.5 billion dollars in gold, a good part of which we could afford to spend. It may be added that Latin America's intention of using reserves cautiously and limiting luxury consumption is likely to hurt Britain and the continental countries more than the United States, since the former have in good measure been sellers of consumer goods, whereas we stand to benefit from intensified purchases of capital equipment.

5. Suggestions for Post-War Exports

In view of our excessive preoccupation with exports, to the neglect of imports, it is always a rather doubtful undertaking to propose means of further stimulating exports. What ought to be aimed at is a balanced growth of trade. The suggestions to be made here, however, while concerned only with exports, should be thought of, not as a means of aggressive export promotion, but as measures which would put exports on a sounder and more stable basis by reducing friction and losses.

Among the main difficulties encountered by foreign traders in the recent past are (1) payment delays owing to lack of foreign exchange abroad and (2) adverse discrimination by means of exchange allocation and similar devices. At the present time most Latin American countries do not have an exchange problem and the matter of unpaid drafts and frozen balances therefore is not acute. It is by no means true, however, as some people seem to think, that at present we can cease worrying about exchange shortages altogether. Even now one or two countries, Bolivia for instance, are having exchange difficulties. Others are likely to find themselves in the same position as time goes on. Efforts must therefore be made to protect the exporter as much as possible against the danger of payment delays and frozen balances.

One of the devices which have been rather successful in curbing these evils is the prior permit system, which used to be employed by Argentina up to the middle of 1941. Under this system the Argentine importer had to obtain an import permit before placing his order abroad, which he submitted to the exporter with the order to show that the transaction had been licensed. The Argentine authorities took pains not to license imports in excess of exchange availabilities, so that the existence of a permit constituted more or less a moral guarantee that exchange would be forthcoming. The new Peruvian exchange control likewise requires a prior permit, although it is not quite clear yet if this permit will ordinarily be submitted to the exporter. If that should not be the case, the danger remains that an importer may place an order without first applying for the permit, in which case the exporter may later be stuck if the permit then is not issued. It would be a great advantage for exporters if this prior system were adopted by all countries. American exporters can contribute in a small way to the universal adoption of the system by endeavoring to obtain evidence from their customers that foreign exchange will be available.

It is true that the prior permit system presents certain difficulties for the local authorities. Unless a country has very large reserves, such as Argentina, it must grant permits not only against actual holdings of exchange but also against expected receipts. If these receipts don't materialize, the authorities cannot make good on their permits. From the exporter's viewpoint, the permits are, of course, useless unless they carry a moral guarantee that exchange will be made available by the authorities. Here seems to be a fruitful opportunity for the Export-Import Bank, the United States Treasury Stabilization Fund, or the International Monetary Fund if it is established. One of these agencies could make arrangements to supply foreign exchange in cases where such an impasse is brought about by force majeure and through no fault on the part of the importing country, that is, where the country has made a bona fide mistake in estimating its exchange position and has not deliberately over-licensed imports. Among the credit arrangements to be set up for the postwar period, special attention might be given to these situations so as to avoid payment delays and blocked balances.

Action along these lines would in some degree take care of the danger of payment delays and would greatly reduce one of the main risks which exporters had to face during the 'thirties. A further measure that would help in this connection and that would also reduce the discrimination which our traders have sometimes met is the foreign exchange control system recently adopted by Paraguay (apparently not yet in actual operation) and presently under discussion in Costa Rica. This system was elaborated by Dr. Triffin, of the Board of Governors of the Federal Reserve System, and has also been proposed by Dr. Prebisch, until recently General Manager of the Argentine Central Bank. Under this system imports are classed according to how essential they are to the receiving country. At some point along the scale a division is made between "essentials" and "luxuries," the more essential goods being put into the "essential" category, the less essential ones into "luxuries." Essential imports are allowed to enter without exchange restrictions. Any importer is automatically assured of exchange for these goods. There is therefore no need to allocate exchange arbitrarily to particular firms, which has always been one of the main administrative problems of exchange control and has invariably provoked charges of favoritism. Discrimination between different supplying countries is likewise eliminated thereby, in so far as it used to be carried out by means of exchange allocation. In the past this was one of the chief devices for hidden discrimination against the exports of certain countries.

The division between essential and luxury goods is to be made in such a way that, after all essential imports have entered, some exchange will be left. (If at times exchange receipts run short, therefore, the essential list has to be cut temporarily.) The remaining exchange then is to be auctioned off to the highest bidder to be used in the importation of goods in the luxury category. To avoid the existence of two exchange rates, one for essentials and the other for luxuries, import permits rather then the exchange itself will be auctioned. Again there is no need for arbitrary allocation of exchange, since the auctioning process takes care of this. If luxury exchange is plentiful, importers will have no need to bid more for it than they would pay for essential exchange. In that case, in effect, there will be no exchange limitation upon imports. If luxury exchange is scarce, its cost (or the cost of luxury import permits) will go up. The higher cost of luxury exchange, however, will not greatly influence the retail price of the goods, contrary to popular belief. If only a limited amount of exchange is available, so that local demand for foreign goods cannot be fully met, the retail price of these goods will rise no matter what the cost of the exchange. Raising the price of the exchange to the importer mainly has the effect of depriving him of the extra profits resulting from higher retail prices.

It is reported that several Latin American countries are greatly interested in this system. It is to be hoped that if exchange control is to be a permanent feature of Latin American trade, as one must expect it to be in the foreseeable future, a system of this sort which greatly simplifies the procedures of the past will be generally adopted. It could easily be combined with the use of the prior permit system suggested before.

These suggestions are aimed at the Latin American side of the picture. Two further and more modest proposals remain to be discussed which, however, possess the advantage that they are to be carried out on our side and need not wait upon action abroad. They aim to make possible the extension of more liberal export credits, and at the same time to reduce the danger of losses to American exporters. The first of these relates to the gathering of statistics on the volume of unfilled orders from Latin America which United States exporters have on their books. The second deals with the procurement of data on the foreign collection experience of American banks. Both are now in process of being studied, the first by Dun & Bradstreet, the second by a group of New York banks, with a view to having them available at the end of the war.

Statistics of unfilled orders have long been familiar in the domestic field, but have not so far been used in international trade, so far as I am aware. Statistics of unfilled orders on the books of exporters would be of great value in several respects.

(1) In the immediate post-war period, they would enable exporters to detect evidence of overbuying in the products in which they are interested, so that they could protect themselves accordingly. One of the main dangers that exporters face in the near future will be a tendency on the part of customers who can't get enough merchandise to place the same order with a number of suppliers, in the hope of getting a little from each, which will be followed by cancellations once the goods become available. After the last war duplication of orders and subsequent cancellations brought losses to American exporters which ran into many millions of dollars This time old traders will be forewarned and are not likely to be caught again, but a great many new firms will be in the export business after the war, who may have to pay heavily for their experience unless they are given means to protect themselves. Among the most useful devices will be the data on unfilled orders, abnormal movements of which will put exporters on their guard.

(2) In later years, data on unfilled orders would be helpful as a guide to proper credit terms to be given foreign importers. If orders rise too high, the cautious exporter will cut down on his terms. At other times, he may find that the figures warrant more liberal terms, enabling him to increase his sales. This kind of index would be particularly valuable to exporters handling large numbers of accounts. Traders will also be able to tell from the figures whether they are continuing to get their share of the business.

(3) Unfilled orders statistics will allow a partial forecast of the exchange position of Latin American countries. Their orders placed with our exporters constitute a commitment to supply exchange at some future date. Heavy commitments in the face of low reserves will be a warning that the country may soon run into exchange difficulties, and exporters and bankers alike will be guided accordingly.

In all these cases, American exporters and bankers would have a better basis for the formulation of their credit policies. Being better informed, they will be able to grant more credit than they did before where it is warranted, and keep out of trouble and avoid losses which formerly they could not guard against.

To obtain the necessary data, it would not be necessary, of course, to secure the cooperation of more than a limited number of exporters. If these firms are well selected, their reports would constitute a representative sample of the entire export business. Nor would the filling in of the required information be much trouble for them, since all they would have to state is the total volume of unfilled orders for each country. By concentrating on manufacturing exporters with a clearly defined range of products, the reports could easily be made to fall into specific groups, similar perhaps to the classification used by the Department of Commerce. In that way the unfilled orders statistics would be broken down into different commodity groups, which will be desirable in order to make them valuable to exporting firms in specific lines.

A second set of data which could be gathered separately from the unfilled orders statistics, but used in conjunction with them by the export trade, consists of data on the trend of foreign collections. This information could best be obtained from some of the larger banks, because that is where it naturally tends to be concentrated. Some banks even now publish reports on their collection experience. This type of information could be made still more valuable if the experience of all the banks were put together, so as to provide more complete coverage, and to put it on as current and regular a basis as possible.

Data on collections, of course, are always somewhat late; they tell the exporters about trouble after the trouble has begun. Nevertheless, they have always been regarded as a valuable indication of conditions abroad, and it will pay exporters to watch them.

Neither of these two proposals will go very far by itself to create a new basis for the granting of foreign trade credits. They are merely part of a number of things that need to be done to meet the demands of the hour. What is important is that they are things which private enterprise can do to prove that it is able and determined to maintain itself in the field of foreign trade. There has been a good deal of talk of government agencies going into foreign trade. Much of this tendency, if it exists, seems to be due to a belief that private enterprise is not sufficiently active in preparing to meet new situations. In the domestic field, various business organizations, such as the C. E. D., have made outstanding and successful efforts to prove the contrary. In the foreign field, the National Foreign Trade Council and others are pursuing similar aims. These efforts will need to be continued vigorously.

Buffett Condemns Bretton Woods Plan

(Continued from page 1152)

"These heroic dead are gone. They cannot plead for their loved ones. They left no propaganda machine like that of the promoters of Bretton Woods. The claims of these heroes have only begun to be presented. They must be paid. But they cannot, and will not, be paid if the United States Treasury cupboard becomes bare. The Treasury of the United States has no unlimited power to make payments. The Treasury does not create the goods to pay these claims.

"The American housewife had a lesson along this line last Christmas in ration stamps. You remember how the Government promised you that ration stamps were to be good indefinitely. Then one fine morning you awoke and the Government had repudiated and cancelled those ration stamps. Why? Because they had issued too many stamps compared with the amount of food available. With all their experts they had made a colossal mistake—so gigantic that the great Government of the United States deliberately broke its promises to its citizens. What did we learn from that failure? There were several lessons, but here is the most important! When a government promises too much, it breaks its pledges."

In emphasizing this last point, Congressman Buffett stated that, "we found the Government can issue food ration stamps, but it cannot create the food to make good on those stamps. They simply issued too many promises. That is exactly what will happen if America sets out to insure the debts and currencies of the world. The Government would mean well, of course, just as Mr. Bowles did on the ration stamps. But we will be unable to make good on our sacred obligations at home if we are first bled white by fantastic handouts abroad.

"So we must work out these problems realistically. In measuring our ability to help other peoples, the warning of the cancelled ration stamps is plain. When a government promises too much, it fails to keep its pledges. We, the American people, have now had this lesson twice. We have had it on the ration stamps at home and the Atlantic Charter abroad. We have had our fingers burned two times, not because of our mistakes as citizens, but because our Government officials promised too much."

In concluding his protest, the Congressman stated that, "only a vigorous protest by the people can stop this scheme. Will you do your part to protect the young patriots who are counting on the G. I. Bill? Then, you must let your Congressman and your Senator know that you expect them to protect our war victims first. Only by your voices can this scheme be stopped. The fate of the widow of Private Mitchell, the future of his fatherless son and daughter, rest in your hands. The lonely fireside of these little families must not be haunted either by the poverty of inflation or the tyranny of a perpetual OPA Gestapo. No nation can repudiate the sacred pledges made to its fighting heroes and remain a land of righteousness and justice. The G. I. Bill must not go into the ashcan like the Atlantic Charter. The widows and orphans and wounded must not see their claims treated like the carefully saved ration stamps. You and I must save them from this Bretton Woods danger.

"In measuring this handout experiment, we may well be guided by the words of one of the great humanitarians of all times, St. Paul, who, in the First Epistle to Timothy, admonished him in these solemn words, 'But if any provide not for his own, and specially not for those of his own house, he hath denied the faith, and is worse than an infidel.'

"Only an America that plays square with its own war victims can help effectively the suffering people of other lands. Accordingly, our first financial job is to put our own house in order. In your personal affairs, the only permanent way to prosperity is a balanced budget. Likewise, in the Nation the only permanent way to prosperity is a balanced budget. Unless that goal is achieved all postwar plans for ourselves and for the world will collapse like Hitler's conquests."

Saudi Arabia Joins War on Axis Powers

Most of Saudi Arabia went to war with Germany and Japan on March 1, but not all, said Associated Press advices from Washington on that day, published in the New York "Times" which also had the following to say:

King Ibn Saud wrote President Roosevelt formal notification of the action under date of yesterday, but reserved neutrality for Moslem holy places.

"I have decided to adhere to the Allies in this war," wrote the ruler, whose formal name is Abdul Aziz.

"We exclude from this declaration the zone of the holy shrines. Because of their sanctuary we should preserve complete neutrality for them.

"Thus they will not engage in war or will war be declared on them. They are the zone of safety and peace for all those who live therein and all those Moslems who come to them."

The zone of neturality was not defined, but presumably it was the territory of the cities of Mecca and Jidda.

Shall Uncle Sam Become the World's Financial Scapegoat?

(Continued from first page)

this Congress must face and answer in the days ahead. In the time allotted to me today I propose to review the past—especially the part we played as the financial scapegoat for the world after the last war, to take stock of the present, and to look forward to the future. I do this in the hope that, to some extent at least, I may impress upon the membership of this House the seriousness of the financial problems that confront us, and perhaps warn the members against the financial dangers that lie ahead.

Mass delusions are not rare, but a delusion affecting the mentality of the entire world at one time was unknown until the first World War. That universal delusion affected the financial world. It pertained to the subject of International Credits. It was a delusion which caused us to lose, in Government loans to foreign nations, $14,523,593,627.73, and many billions of dollars more in private loans floated through the banks by our former Allies as well as by our former enemies. In addition to this, our South American and Central American neighbors floated other dollar loans which are in default. Altogether it has been estimated that something in the neighborhood of $29,000,000,000 worth of goods and services were exported from the United States to foreign nations in the period from 1917 to 1930. When we ceased to give other nations the credit with which to buy our goods, they quit buying the goods. This resulted in a depression greater than any hitherto known in America; and our debtors, with the exception of brave little Finland, proceeded to default on their loans. That was an expensive delusion for us.

A World Wide Delusion

The general shape of that world-wide delusion can be indicated by three of its familiar features:

(a) The idea that the cure for debt is more credit.

(b) A social and political doctrine, now widely accepted, based upon the false premise that people are entitled to certain betterments of life and must be permitted to secure them on credit, if they haven't the cash to buy them with.

(c) The argument that prosperity is a product of credit; whereas from the beginning of economic thought it has always been supposed that prosperity results from an increase in, and an exchange of, real wealth.

The idea that the "cure for debt is more credit" began with the first World War. Without credit that war could not have continued longer than four months. With benefit of credit it lasted more than four years. Victory followed the credit, but the price was an appalling debt.

In Europe the war debt was both internal and external. In America the war debt was internal only. While engaged in that war we loaned our associates more than $10,000,000,000. We do not know today how many billions of dollars we have given and loaned to our Allies during this war, but we do know that the money we have loaned will not be repaid, that it will all be canceled or defaulted, just as the first World War debts were. Then Europe's method of meeting her debt, both internal and external, was a resort to further credit. She called upon this country for immense sums of private credit, sums which before the war were unimaginable. With one voice the European Nations cried out that unless American credit provided them with the ways and means to begin moving their burden of debt, they would be unable to move it at all. We are hearing the same deafening chorus today.

Mr. Speaker: After the first World War, when credit failed, when the United States was unable longer to keep sending its goods and services to foreign countries on credit, the standards of living of these countries fell from the planes on which credit had for a while sustained them. Political dismay and disruption followed in those countries. Government itself was put in jeopardy because the peoples of these countries had been encouraged by this endless credit doctrine to live beyond their means. Again we hear that governments will be in jeopardy all over the world unless the United States pours more billions into these countries in goods and services, the same to be produced out of the sweat and energy and intelligence of America. We are told that social chaos will be the sure result if we do not extend credit. "How shall the people live as they have learned to live, and as they are entitled to live, without benefit of credit?" Uncle Sam is asked. "They will rise first," Uncle Sam is told. These emotional rhetoricians are careful not to say that what the people will rise against will be the payments of the debts for the goods they will have devoured.

As President Roosevelt said in the 1932 campaign, the credit of a nation is like the credit of a family. When either a nation or a family lives on credit beyond its means, debt overtakes it. If the people tax themselves to pay for it, that means they must lower their living levels. If they repudiate their debt, that is the end of their credit. Now, the President tells us, in the face of the repudiation of the debts due us, we must again extend unlimited credit—which means an unlimited flow of American goods and services to other countries—lest they fall into social chaos and go Communistic.

Mr. Speaker: The argument that prosperity is a product of credit is as fallacious as the idea that we can borrow ourselves rich or spend ourselves into prosperity. Credit is a product arising from the increase and exchange of wealth. It is merely a method of facilitating that exchange. Every dollar of credit that has been extended or will be extended to other countries of the world by the United States will be so much goods and services human energy and national resources, raw materials and finished products, which we shall be denying our own people in order to send them out to the other peoples of the world, and for which we will receive no pay.

The idea that unlimited credit can be extended by the United States to other countries because we in the United States will merely owe the debt to ourselves is at the bottom of this whole fallacious scheme. It is used to rationalize the delusion as a whole. It became unorthodox after the first World War to doubt that by use of credit in progressive magnitudes to inflate international trade, the problem of international debt would be solved. All debtor nations were going to meet their foreign obligations from favorable balances of trade—but they did not do so.

The same fallacy lies behind the Bretton Woods scheme of today: namely, that all of the countless billions of dollars' worth of goods and services these foreign countries are going to get from us will be paid back in goods—which is the only way they can be paid back. Under such a condition, what would become of the American farmer and American labor? Their American market would be literally flooded—would have to be flooded—with such an avalanche of low-wage, low-living-level labor products from the countries of Europe and the Orient that our whole economy would be swamped.

Mr. Speaker: A favorable balance of trade comes when a nation sells more than it buys. Is it possible for all nations to sell to one another more than they buy from one another, so that every nation may have a favorable trade balance? The endless credit boys say, "Certainly." I ask, HOW? The endless credit boys cry, "By selling on credit. By lending one another the credit to buy one another's goods." They tell us that we must lend other nations credit during and after this war so they can buy our goods. After the last war they said all nations would not be able to lend equally, but each should lend according to its means. That meant that Uncle Sam was to be the principal lender—and he was. The Bretton Woods scheme of today is that same old plan all over again.

Following the first World War, the question was often asked: "Where is the profit in trade for the sake of which you must lend your customers the money to buy your goods?" The endless credit boys had an answer ready. It was: "Unless we lend them the money to buy our goods, they cannot buy them. Then what shall we do with our surplus?" When it appeared after the first World War that European nations were using enormous sums of American credit to build industrial plants to compete with our own, the question was asked: "Is this wise?" The answer of the endless credit boys, the international "do-gooders," was: "Of course it is wise. You must remember that these nations you speak of as competitors are also our debtors. They owe us a great deal of money. Unless we lend them the credit to increase their ability to produce for export, they will never be able to pay us their debts."

That is exactly the refrain we hear again today as Bretton Woods and the International Bank scheme are urged upon us. America loaned billions of dollars of American credit to her debtors after the first World War. We even loaned credit to our competitors who in turn loaned it to their customers. We loaned credit to Germany who loaned credit to Russia for the purpose of enabling Russia to buy German things, including German chemicals. We are now asked to lend $7,000,000,000 to Russia, in addition to lend-lease; $5,000,000,000 to England; $3,000,000,000 to France; $1,000,000,000 to the Netherlands, and $6,000,000,000 to our Latin American neighbors. This adds up to a total of $22,000,000,000, to be used for the purpose of buying products from each other, while they all owe us debts which they can only repay, if at all, by producing a surplus of their commodities for export into the American market in competition with the products of our own farmers and wage earners.

The result after the first World War tells us what the result will be after this war if we follow this fallacious delusion. So much of our goods and services will be flowing out to other countries on credit that we will, in spite of ourselves, exhaust and prostrate our own internal economy, as soon as the false prosperity of an export business done on credit falls to the ground.

Those who plead that we should give some thought to the welfare of America are branded today as "isolationists" and are condemned to the nethermost hell of public scorn because they are sensible enough to want to keep their own country sound. We followed the doctrines of the internationalists after the first World War. What was the result? The result was that something like $29,000,000,000 worth of American credits were defaulted, and the United States went into the worst depression we ever had in our history. Are we to repeat that experience?

Mr. Speaker: International-mindedness today has come to mean thinking not of ourselves first but of the world first; of our responsibilities to other people ahead of our responsibility to our own people. No other nation ever did think that way. Does England think that way today? Where would you find a more complete British Empire nationalist than Winston Churchill? And who blames him for it? Does Russia think that way today? Where would you find a more complete Russian nationalist, or realist, than Joseph Stalin? And who blames him for it? Should not Uncle Sam take a leaf out of Churchill's or Stalin's book and place the welfare of our people first? Today, all of the sharpers, the schemers, the planners, and the dreamers of all the other nations in the world, and of the United States as well, are planning to make Uncle Sam again the financial scapegoat for the world following this war. Is history about to repeat itself?

Now, Mr. Speaker, what of the present? What about the Bretton Woods Agreements now before this Congress, which the President requests that we implement by legislation? What about the International T. V. A., suggested by Sir Walter Citrine, especially the financial part Uncle Sam is expected to play in electrifying the world? What about Sir William Beveridge's new Plan to guarantee full employment for all, which the President approved when he announced he would guarantee 60 million jobs for Americans, and which Henry Wallace has so enthusiastically and energetically adopted as the program for Uncle Sam? Let us scan these current Congressional problems, one by one, to determine if we can the social and economic pattern that these well-meaning, idealistic, impractical "do-gooders" are trying to weave for us. If we decide to take the leftist road we should at least do it with our eyes open, realizing what our final destination will be.

The Bretton Woods Monetary Agreements

Mr. Speaker: The Bretton Woods plan is described as a program for international financial consultation and cooperation—aiming at stable exchange rates, with orderly adjustment when necessary. It is a program described as making for enduring peace, world-wide economic expansion, and full employment everywhere. The Bretton Woods agreements fill 85 printed pages. In a nutshell, however, the Bretton Woods program is a lending program. It calls for an International Fund or pool of currencies to be managed by 44 countries, and for an International Bank under similar management, but with better lending safeguards. We are told the reason the Administration backs this program is that the purchase of American goods, even when paid for with borrowed American dollars, will create jobs. However, we are beginning to ask ourselves the question: "Jobs for whom?"

Mr. Speaker: Reasonably stable exchange rates facilitate foreign trade. But the value of a local currency, since the universal abandonment of the gold standard, can be measured only by its domestic purchasing power. This purchasing power is fundamentally affected by domestic monetary policies, entirely beyond the powers of an international organization, unless such an organization becomes an international government with supreme authority to direct the domestic affairs of every member nation. At present we (the Congress) have before us for consideration a number of bills carrying provisions which would affect the value of our dollar. One would reduce from 40% to 25% the reserve in gold certificates required to be held by Federal Reserve banks against their deposits and Federal Reserve notes in circulation. Another would authorize an increase in the Federal debt from $260,000,000,000 to $300,000,000,000. A third would authorize banks and other financial institutions to hold Federal securities at par; and a fourth would authorize the Federal Reserve Board to guarantee financial loans made by private institutions. This proposed legislation adds up to a pattern for increased inflation and further devaluation of the dollar. Such a process would affect the exchange rate of our money with every other currency. When WE plan such actions, we can expect less prosperous and less well-intentioned countries to carry out currency fluctuations and manipulations that would render our huge contribution to the Bretton Woods Monetary Fund utterly useless.

What do we get out of the Bretton Woods Fund and Bank? We agree to put in at the start $6,000,000,000. If the Fund and Bank use up that money we get $6,000,000,000 of export business. When this done, we shall have equivalent IOU's of foreign countries. To collect these IOU's two things are necessary:

(1) The foreign debtor must be able and willing to pay.

(2) We must be willing to receive payment.

Concerning the foreign debtor's willingness to pay, we have a record of experience—every nation defaulting, with the exception of Finland.

And what about our willingness to accept payment? We have all the gold and silver we shall ever need buried in Treasury vaults, so payment can be made only in goods. But we like to make goods for the home market ourselves. If we are not willing to admit foreign goods here in competition with our own goods, then we must face the fact that the new loans and investments we are being urged to make will not be paid.

Mr. Speaker: If we are going to try to make jobs at home by huge exports financed by loans, we should keep in mind the ultimate costs to us, in the event the loans are not repaid. The first cost, of course, is an increased public debt, which means still higher taxes. The second cost of financing exports by long-term loans is the depletion of our natural resources. When we export oil from our wells, or copper from our mines, what we have left is a hole in the ground and a foreign IOU which, judging by past experience, would not be worth the paper upon which it is written. Congressman Reed of New York, in describing the Bretton Woods agreements, said: "Boiled down to the lowest common denominator the Bretton Woods agreements proposed the establishment of an International Bank, Uncle Sam to furnish most of the money, but THE BORROWERS TO CONTROL THE BANK."

Perhaps the key to the Bretton Woods Agreements is to be found in the personality and background of the man who was its guiding spirit. The agreements arrived at were for the most part the proposals of Lord Keynes, a British economist. This is the same Lord Keynes who persuaded President Roosevelt early in 1933 to discard his economy program and embark upon the spend and spend and spend program of the New Deal. The Bretton Woods agreements, if accepted by Congress and implemented by law, would start us off on a spending spree to rebuild a war-torn world in the face of our $300,000,000,000 debt. Why should Uncle Sam follow the lead of Lord Keynes, a discredited English economist, one whom the

English themselves refuse to follow?

The Proposed International T. V. A.

Mr. Speaker: Another titled Englishman, Sir Walter Citrine, in a speech at the recent London World Trade Union Conference, proposed an "International T. V. A.", which would include a "Rhine Valley Authority" and a "Danube Valley Authority" to develop electric power for European use. As usual, the only point about the whole plan that is clear is that Uncle Sam would be the fellow who would put up all the money. The method by which Uncle Sam would put up the money for these projects is set forth in the "London Economist" of December 9, 1944, in the following language:

> "Who would finance an international TVA? If the proposed International Bank of Reconstruction and Development materializes, its funds might be used either as direct loans to countries planning co-operative development, or as a supplement to private long-term investment in such projects."

One can easily see, therefore, that the Bretton Woods Monetary scheme of Lord Keynes and the International T. V. A. scheme of Sir Walter Citrine are very closely related. The President's message to the Congress urging the passage of legislation to implement the Bretton Woods agreements came immediately after Sir Walter's speech at the London Conference. Can it be possible that the proposals of these two titled Englishmen add up to the fact that John Bull again wants Uncle Sam to pull England's financial chestnuts out of the fire, and once again get our fingers burned while doing it?

The New Beveridge Plan

Mr. Speaker: The idea of "Jobs for All" did not originate with President Roosevelt, although he stated in his economic Bill of Rights that every man had a right to a job. Neither is Senator Murray its creator, although, in his Full Employment Bill, he proposes that the Government provide jobs if private industry fails to employ everybody. Not even Henry Wallace with his much-advertised prophetic vision can be credited with the Full Employment idea although in a speech before the American Statistical Association, he said: "Jobs for all should and will be the economic battle cry of all people of the world for the next twenty years." Mr. Wallace, however, is the only one of our international "do-gooders" who is honest enough to tell us who originated the Administration's plan for the expansion of Government economic activities. Mr. Wallace said: "Sir William Beveridge has just published a report on 'Full Employment in a Free Society,' which I think transcends in importance his masterpiece on Social Security two years ago." Wallace then goes on to show that every thought embodied in the President's economic Bill of Rights, in Senator Murray's Full Employment Bill, and in Mr. Wallace's own Utopian plans for the future of America, are based upon the assertions and assumptions found in Sir William's new book. In this new book Mr. Beveridge is frank enough to call his scheme a revolution. His American imitators are trying to bring about the same revolution in this country. We should be prepared for it, remembering that Mr. Wallace has told us before, "What we are experiencing today is not a war but a revolution." And we must not forget that in his testimony before the Senate Committee in connection with his appointment as Secretary of Commerce Mr. Wallace very plainly said he would use the $40,000,000,000 lending powers of the R. F. C. and the other Government Loaning Agencies to carry out his world-wide Utopian plans.

Conclusion

Mr. Speaker: This Congress is confronted today with the question: "Shall we accept and approve the dreams, the theories, the plans, and the demands of the Keyneses, the Beveridges, the Wallaces, the Hillmans, the Browders, and the Frankfurters?" Upon the answer we give to that question rests the fate of our American economy, our American Government, and our American liberties. In endeavoring to arrive at a proper answer to that question we must admit at the outset that the people of the United States cannot possibly work hard enough or long enough to support the other peoples of the world, to rebuild all of the war-devastated countries of the world, or to restore all of the destroyed agricultural and manufacturing structures of the world. We can exhaust our resources until we are pauperized without raising the rest of the peoples of the world to appreciably higher levels of living. And, unless we undertake an imperious policy of controlling the economic and the social government of all other countries, we cannot possibly impose upon them our American system of government, our American economy, or our American way of life.

After the first World War, we tried to rebuild the countries and the economies of our Allies, and of our enemies, under the fallacious reasoning that they would be grateful and that they would pay their debts to us as soon as they are able to get on their financial feet. That program did not work out. Instead of paying their debts to us, they defaulted, and jeered at us for expecting repayment. Just as we are told now that it is impudent and insolent and unjust and unchristian and selfish for us to expect any repayment on our vast lend-lease contributions to the rest of the world, so we will be told again, if we continue to pour out credit to the rest of the world, that we are "Uncle Shylock" if we ever expect any repayment.

Mr. Speaker: It is not possible to change or to raise the cultural, living, or governmental levels of other people by the simple device of lending them money, or goods and services. Religious beliefs, age-old traditions, lack of capacity for self-government, all of these considerations enter into the reasons why, regardless of any amount of credit we may extend to the peoples of other nations, we cannot impose upon them or persuade them to adopt our system of government, economy, and society. The so-called "credits" which we are asked to extend these other countries are the very same kind of goods and services we are extending now. American people are not eating bacon today because we are sending the bacon abroad not only to our Armed Forces but to the peoples of other countries. Every shortage we have in America today is the result of sending our goods out to other countries as well as to our Armed Forces. We lend-leased to our Allies last year 873,924,576 pounds of American meat. If America is willing to continue to be rationed and to go without and do without, or to go with much less and to do with much less for generations to come, then perhaps we can listen to the Keyneses, the Beveridges, the Wallaces, the Hillmans, and the Browders. If, on the other hand, we do not want holes left in the ground where our minerals and our oil have been taken out and shipped away to be consumed in other countries; if we do not want impoverished soil left from the growing and giving away of crops to other peoples in the world; then we must safeguard ourselves against the theory that upon the United States of America rests the whole responsibility for rehabilitating all of the blasted industrial and agricultural economies of the world; for raising all of the peoples of the world to an American level of wages, working conditions, and living conditions. It doesn't require a prophet to discern that if we accede to these schemes of the Keyneses, the Beveridges, the Wallaces, the Hillmans, and the Browders, our American living levels, our wage levels, our working conditions, will be dragged down much farther than we will be able to lift similar conditions in the other countries of the world.

Mr. Speaker: America has a very proper and a very important place to fill in helping the peoples of the world to help themselves back to normal life and sanity. America has no desire, and has never had any desire, to avoid her full duty in that regard. It is one thing, however, to help an unfortunate neighbor who needs a little of what you have; but it is something else again to help a neighbor, who won't help himself, by giving him all you have.

We are told by these "international do-gooders", these "give-away theorists", that unless we impoverish ourselves and give away our goods and services and energy and resources to all the other peoples of the world, they will become discontented and will hatch another World War which will cost us more than it will cost us to give them now a great portion of what we have. That is a defeatist theory. It is the theory that unless we give way now what we have, somebody will later take it from us. The American people had better keep in mind the fact that if they give it away now, it will have been taken from them anyway.

Mr. Speaker: The only kind of an America that can help lead the rest of the world back to sanity and a normal existence is a safe, sound, free, and solvent United States of America. We must see to it that America is kept safe, sound, free, and solvent. As Members of Congress that is our responsibility. We must always keep that responsibility uppermost in our minds. Shall Uncle Sam again become the financial scapegoat for the world?

Canadian Securities

(Continued from page 1169)

for extensive settlement in the post-war era.

Furthermore if consideration is also given to the strategic position of its capital city, Edmonton, at the air cross roads of the world and at the gateway to Canada's fabulously rich mineral Empire of the North, the conclusion can be reached that this area can challenge comparison with any other with regard to its ultimate possibilities.

Turning to the market for the past week, the bullish trend persisted in accordance with expectations and peak levels were attained throughout the list. Prices improved on a rising volume but although there was a scarcity of supply in certain issues, there were some indications of a growing disposition to take advantage of the high level of the market by profit-taking in those issues which have rapidly moved into line with comparable domestic securities. There was also evidence of switching from high priced, high-grades into sections of the market, such as Montreal issues, which have greater scope for further improvement.

Internal issues were less in demand following further depreciation of "free" funds to 9⅞% discount, caused, as previously intimated, by sales of dividend proceeds and a growing feeling that the question of a return of the Canadian dollar to parity is not quite such an imminent matter as hitherto believed.

With regard to the possible future general market trend, it would appear that a period has now been reached when reconsideration should be given to the following factors:

(a) Investment markets are at peak levels and have discounted a downward readjustment of the interest yield curve.

(b) Canadian high grade externals have rapidly moved into line with comparable domestic securities.

(c) We are now approaching a period in which a Federal election and the Eighth Victory Loan will take place.

The Securities Salesman's Corner

By JOHN DUTTON

Use "Special Situations" As a Sales Builder And Account Opener

It is the "unusual" things that stand out and gain attention. All through life the quest for something different, which lifts most of us commonplace mortals out of our usual routine of ordinary tasks, goes forward. Some call it an escape from boredom, others name it relaxation, but few are fortunate enough to have sufficient novelty in their everyday existence to satisfy this constant urge to do something different. That is why people like to take a chance. That is why a speculation always appeals to the average person.

From the security salesman's viewpoint, the proper stimulation of this latent urge to speculate on the part of most individuals can be turned into a powerful selling aid. This does not mean that indiscriminate activation of the average person's willingness to take a chance should be encouraged by any security salesman. On the contrary, ill advised speculations can only result in lost customers, wasted effort, and ill will. The first consideration of every security salesman, whether he sells conservative investment securities or speculations, should always place the customer's welfare first. The choice of offerings, if speculative, should be more carefully selected than any other type of security.

Taking for granted then that you are able from time to time to unearth some particularly attractive speculative situations, the next step is to offer them in such a way as to make them STAND OUT FROM ALL THE OTHER SECURITIES THAT ARE ALSO SEEKING THE ATTENTION OF YOUR CUSTOMERS.

The first step is BUILD-UP. Preparation must come before the offering. The movies do it—notice the previews and the amusement ads. The politicians do it—watch the publicity build-up before a major speech. Every product that makes the headlines is previewed by a special advertising and publicity release. Some years ago there was a big three in cigarettes. Today there is a big four. When Lorillard broke into this extremely competitive market, the build-up consisted of everything from a mystery announcement which was broadcast from aeroplanes, to a new yellow package, and a completely novel slogan. The list is almost endless. The routine is always the same, because it is based upon a sound selling technique which has its roots in human action and reaction.

Applying the same principles to security salesmanship calls for a preparation of your customers. It is only a matter of telling a story and making it stick. There are several ways to do this but one of the best is by indirection. This can be accomplished by relating the past experiences of other customers. For instance, put it something like this: "There are times when we have been able to uncover unusual, speculative situations. Sometimes we have done it through contacts with others, or through original research. In many instances these 'special situations' have worked out very profitably for our customers." Then mention a few cases where substantial profits have been made. Ask your customer if the next time something of this nature comes along, he would like to hear about it. That's all.

The next time a good situation crops up WRITE A PERSONAL LETTER. Make it short. Enclose a report or an analysis. Just ask your customer to read the report and mention that you are going to talk to him in a day or so. Then follow up. Remind him that this is something special for which you have been waiting. Put some enthusiasm into your presentation. This is the time to lift your selling conversation out of its rut. A dull presentation won't go here. If you have a security that is undervalued, that you believe in, SELL IT!

There may be some who would criticize this procedure on the grounds that security salemanship should confine itself to consulting with customers, or at least stick to more conservative procedures. With this we disagree because it has been our experience that SECURITIES DO NOT SELL THEMSELVES. If you've got a good one to sell—what good will it do your customers if they haven't become sufficiently excited to cause them to buy it? Excitement, build-up, expectancy, novelty, are all a part of a successful salesman's repertoire. Used with discretion, at the right time and in the right way your customer is also the beneficiary.

H. V. Smith of Home Ins. Co. on Red Cross Com'tee.

Harold V. Smith, President of the Home Insurance Company, New York, has been appointed a member of the National Advisory War Fund Committee of the American Red Cross, according to announcement by Thomas W. Lamont, Chairman.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of $1.25 per share on the Preferred Stock and a dividend of 50c per share on the Common Stock of the Company. Both payable April 1, 1945 to Stockholders of Record at the close of business March 12, 1945. The stock record books will be closed for the purpose of transfer of stock at the close of business March 12, 1945 until April 2, 1945.

ROBERT B. BROWN, Treasurer.

Dividend Notice of THE ARUNDEL CORPORATION,
Baltimore, Md.

March 13, 1945.

The Board of Directors of the Arundel Corporation has this day declared 25 cents per share as the regular quarterly dividend, on the no par value stock of the corporation issued and outstanding, payable on and after April 2, 1945, to the stockholders of record on the corporation's books at the close of business March 19, 1945.

JOSEPH N. SEIFERT, Secretary.

COLUMBIA GAS & ELECTRIC CORPORATION

COLUMBIA SYSTEM

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

Common Stock
No. 42, 10¢ per share payable on April 5, 1945, to holders of record at close of business March 19, 1945

Cumulative 6% Preferred Stock, Series A
No. 74, quarterly, $1.50 per share

Cumulative Preferred Stock, 5% Series
No. 64, quarterly, $1.25 per share

5% Cumulative Preference Stock
No. 53, quarterly, $1.25 per share payable on May 15, 1945, to holders of record at close of business April 20, 1945.

DALE PARKER, Secretary

March 8, 1945

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

LION OIL REFINING COMPANY
El Dorado, Arkansas

LION PETROLEUM PRODUCTS

A quarterly dividend of 25¢ per share and an extra dividend of 10¢ per share have been declared on the Capital Stock of this Company, both payable April 16, 1945, to stockholders of record March 31, 1945. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

March 9, 1945

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

March 9, 1945

THE Board of Directors on March 8th, 1945 declared a dividend at the rate of 50c per share on the outstanding Common Stock of this Company, payable on the 31st day of March, 1945 to stockholders of record at the close of business on the 23rd day of March, 1945. Checks will be mailed.

DAVID BERNSTEIN,
Vice President & Treasurer

OFFICE OF LOUISVILLE GAS AND ELECTRIC COMPANY

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on March 9, 1945, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company for the quarter ending February 28, 1945, payable by check March 26, 1945, to stockholders of record as of the close of business March 19, 1945.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending February 28, 1945, payable by check March 26, 1945, to stockholders of record as of the close of business March 19, 1945.

G. W. KNOUREK, Treasurer.

New York & Honduras Rosario Mining Company
120 Broadway, New York, N. Y.

March 14, 1945.

DIVIDEND NO. 370

The Board of Directors of this Company, at a meeting held this day, declared an interim dividend for the first quarter of 1945, of Sixty Cents ($.60) a share on the outstanding capital stock of this Company, payable on March 31, 1945, to stockholders of record at the close of business on March 21, 1945.

WILLIAM C. LANGLEY, Treasurer.

UNITED FRUIT COMPANY

DIVIDEND NO. 183

A dividend of one dollar per share on the capital stock of this Company has been declared payable April 14, 1945, to stockholders of record at the close of business March 22, 1945.

LIONEL W. UDELL, Treasurer.

THE YALE & TOWNE MFG. CO.

On March 9, 1945, a dividend No. 221 of fifteen cents (15c) per share was declared by the Board of Directors out of past earnings, payable April 2, 1945, to stockholders of record at the close of business March 19, 1945.

F. DUNNING, Secretary.

Mtge. Bankers Cancel 1945 Meetings Including Those of Governors

The Mortgage Bankers Association of America on March 10 announced cancellation of all 1945 meetings, including its annual convention, a series of eight regional Clinic meetings in various cities and its Board of Governors meetings as well. This latter group is the governing body of the Association. Action to abandon the Governors meeting, usually attended by less than 50, was taken "to adhere strictly to the spirit as well as the letter of the ODT ruling," according to L. E. Mahan, St. Louis, Association president. The ODT ruling, however, permits directors and Governors meetings. For the remainder of the year, the Association's affairs will be administered by the executive committee consisting of seven members. Meetings of several other committees may possibly be called during the year. Election of Officers and Governors for the 1945-46 term will be handled by mail ballot, Mr. Mahan said.

With Otis & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Ira N. Loren has become affiliated with Otis & Co., Field Building. In the past Mr. Loren was in business for himself in Chicago.

Calendar Of New Security Flotations

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 17

AIREON MANUFACTURING CORP. on Feb. 26 filed a registration statement for 150,000 shares of 60-cent cumulative convertible preferred stock, par $10.

Details—See issue of March 8.

Offering—Price to the public is $11.375 per share.

Underwriting—Reynolds & Co. is the principal underwriter, with names of others to be filed by amendment.

PACIFIC GAS & ELECTRIC CO. on Feb. 26 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.

Details—See issue of March 8.

Offering—Price to be filed by amendment.

Underwriting—To be named by amendment.

The California RR. Commission has ordered the company to submit the issue to competitive bidding. The U. S. Supreme Court on Feb. 12 ruled company to be subsidiary of North American Co. and therefore subject to SEC regulation. Company contemplated negotiated sale of the issue to Blyth & Co., Inc.

SUNDAY, MARCH 18

AMERICAN ENGINEERING CO. on Feb. 27 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.

Details—See issue of March 8.

Offering—The debentures will be offered at 100 and the common stock at $8.50 per share

Underwriting—Van Alstyne, Noel & Co. heads the underwriting group, with the names of others to be supplied by amendment.

MONDAY, MARCH 19

ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Details—See issue of March 8.

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.

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.

SPRAGUE ELECTRIC CO. on Feb. 28 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 80,000 shares.

Details—See issue of March 8.

Offering—A total of 396,525 shares will be issued in exchange for 31,722 shares of common (no par) on basis of 12½ shares of new for one share of old, of which 80,000 shares received by certain stockholders will be resold to public. The company will sell 50,000 shares. The offering price to the public will be filed by amendment.

Underwriting—F. S. Moseley & Co., with names of others to be filed by amendment.

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.

Offering—Stock will be offered at $3.125 per share.

Underwriters—Brailsford & Co. named principal underwriter.

TUESDAY, MARCH 20

HAVERHILL ELECTRIC CO. on March 1 filed a registration statement for 26,000 shares of capital stock, par $25 per share.

Details—See issue of March 8.

Offering—The company is offering the 26,000 shares of new capital stock to present stockholders pro rata at $25 per share.

Underwriting—None named.

Registration Statement No. 2-5608. Form S-1. (3-1-45).

WEDNESDAY, MARCH 21

TEXAS ELECTRIC SERVICE CO. on March 2 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.

Details—See issue of March 8.

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.

Underwriting—The names will be filed by amendment.

CONTINENTAL DIAMOND FIBRE CO. on March 2 filed a registration statement for $2,000,000 15-year 4% convertible debentures, due March 1, 1960.

Details—See issue of March 8.

Offering—Price to the public will be filed by amendment.

Underwriting—Hayden, Stone & Co., head the underwriting group, with names of others to be filed by amendment.

THURSDAY, MARCH 22

ANCHOR HOCKING GLASS CORP. on March 3 filed a registration statement for 70,000 shares $4 preferred stock, without par value.

Details—See issue of March 8.

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.

Underwriting—Kidder, Peabody & Co., and Hayden, Miller & Co., are named principal underwriters, with the names of others to be filed by amendment.

SATURDAY, MARCH 24

WEST VIRGINIA WATER SERVICE CO. has filed a registration statement for 14,000 shares of $4.50 cumulative preferred stock and 100,000 shares of common. The preferred stock only represents a new issue.

Address—179 Summers Street, Charleston, West Va.

Business—Furnishing water service.

Offering—Company will sell preferred stock to the underwriters who will offer same to holders of present $6 cumulative preferred at $104 per share. Any stock not subscribed by the stockholders will be offered to the public at $104 a share. Offering price of common stock to the public will be $13.50 per share.

Proceeds—Company will use part of proceeds from sale of preferred stock to redeem on April 1, 1945, 11,386 outstanding preferred shares at $105 plus a dividend of $1.50 a share. The balance of the proceeds with other funds of company will be used to retire 5,000 outstanding shares of $6 cumulative second preferred. According to the statement John L. Shea of Shea & Co., is the owner of all of the authorized and outstanding 110,000 shares of common. Allen & Co. will purchase from Shea 82,500 shares at 11¼. Shea will sell 17,500 of remaining shares retaining 10,000 shares as an investment, and Allen & Co. will sell 47,500 shares, retaining 35,000 shares as an investment.

Underwriting—Allen & Co. and Shea & Co.

Registration Statement No. 2-5612. Form S-1. (3-5-45).

SUNDAY, MARCH 25

MENGEL COMPANY has filed a registration statement for 14,960 shares of convertible first preferred stock, 5% cumulative ($50 par) and 44,880 shares of common ($1 par). The shares of common registered are reserved for issuance upon exercise of the conversion privilege of the convertible first preferred, and will not be offered separately.

Address—1122 Dumesnil Street, Louisville, Ky.

Business—Manufacturer of hardwood products and corrugated shipping containers.

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

Proceeds—Company intends to add $750,000 of the net proceeds to the fund of $1,250,000 which has heretofore been appropriated and use moneys for installation of additional machinery, to make additional investments in U. S.-Mengel Plywoods, Inc., purchase of additional timber reserves and other possible expansion of the businesses of the company. Any balance of net proceeds will be added to general funds of the company.

Underwriting—F. S. Moseley & Co. is named underwriter.

Registration Statement No. 2-5613. Form A-2. (3-6-45).

HALLICRAFTERS CO. filed a registration statement for 225,000 shares of common stock, par $1. Of the total 75,000 are being sold by the company and 150,000 by certain stockholders.

Address—2611 Indiana Avenue, Chicago, Ill.

Business—Normal business the manufacture of short wave receiving and transmitting equipment designed for amateur radio operator use, etc.

Offering—Offering price to public is $8 per share.

Proceeds—Company will receive net cash proceeds of $525,000 which will be added to working capital and will be used in general to finance operations, inventories and accounts receivable.

Underwriting—Doyle, O'Connor & Co., Inc.; C. L. Schmidt & Co., Inc.; A. G. Edwards & Sons; Courts & Co.; Kalman & Co., Inc.; Dempsey & Co.; Sills, Minton & Co., Inc.; Cruttenden & Co., and Mason Brothers.

Registration Statement No. 2-5614. Form S-1. (3-6-45).

MONDAY, MARCH 26

CENTRAL VERMONT PUBLIC SERVICE CORP. has filed a registration statement for $6,967,000 first mortgage bonds, Series D, due Feb. 1, 1975, and 40,000 shares of common stock. Interest rate will be filed by amendment.

Address—121 West Street, Rutland, Vt.

Business—Public utility.

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

Proceeds—Net proceeds from sale of bonds, with treasury funds, will be applied to redemption of a like amount of first mortgage bonds, 3½% Series B, now outstanding. Net proceeds from sale of the common stock will reimburse the treasury for moneys expended for additions and extensions to its property, to provide funds for working capital, etc.

Underwriting—Bonds will be offered for sale at competitive bidding and the names of underwriters filed by amendment. Common stock will be sold to underwriters the names of whom will be filed by amendment.

Registration Statement No. 2-5615. Form S-1. (3-7-45).

HEYDEN CHEMICAL CORP. has filed a registration statement for 10,000 shares of 4% cumulative preferred stock, Series B ($100 par).

Address—393 Seventh Avenue, New York.

Business—Manufacture and sale of synthetic organic chemicals for industrial and medicinal uses.

Offering—Price to public will be filed by amendment.

Proceeds — Will be added to working capital to finance the increased inventories and accounts receivable resulting from the corporation's presently increased business and expanded operations.

Underwriting—A. G. Becker & Co., Inc., 3,250 shares; Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane, 2,000 each, and Hornblower & Weeks and Ladenburg, Thalmann & Co., 1,375 each.

Registration Statement No. 2-5616. Form S-1. (3-7-45).

DALLAS POWER & LIGHT CO. filed a registration statement for 78,731 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

Address—1506 Commerce Street, Dallas, Texas.

Business—Public utility.

Offering—Company proposes to offer one share of new preferred stock for each of the 78,731 outstanding preferred shares, of which 35,000 shares are 7% ($100 par) and 43,731 shares $6 preferred stock, with adjustment of dividends. Any shares not exchanged will be called for redemption. Funds for the redemption will be obtained by offering pro rata to holders of common stock additional shares of common at $60 per share in a sufficient amount to provide funds for the redemption of the unexchanged preferred. Electric Power & Light Corp., parent of Dallas, presently owns 238,875 out of a total of 262,500 shares of outstanding common stock and proposes to underwrite the sale of a sufficient number of common shares to provide funds for the redemption of the unexchanged preferred.

Purpose—Purpose of issuing new preferred is to refinance the company's outstanding 7% and $6 preferred stocks at a lower dividend rate.

Underwriting—None named.

Registration Statement No. 2-5617. Form S-1. (3-7-45).

SIMPLICITY PATTERN CO., INC., has filed a registration statement for 60,542 shares of 5½% cumulative, convertible preferred stock (par $10). Shares are issued and outstanding and are being offered by certain stockholders.

Address—200 Madison Avenue, New York.

Business—Manufacture and sale of paper patterns primarily for women's and children's clothing.

Offering—Offering price to the public is $10 per share.

Proceeds—The proceeds go to the selling stockholders.

Underwriting—First Colony Corp. 50,542 shares and Straus & Blosser 10,000 shares.

Registration Statement No. 2-5618. Form S-1. (3-7-45).

TUESDAY, MARCH 27

WHEELING STEEL CORP. has filed a registration statement for $24,000,000 first mortgage sinking fund 3¼% bonds, Series C, due March 1, 1970.

Address—100 West Tenth Street, Wilmington, Del.

Business—Manufacturing pig iron and various steel products.

Offering—Offering price will be filed by amendment.

Proceeds—Net proceeds together with proceeds from $5,000,000 bank loan and treasury funds will be used to redeem $30,000,000 outstanding first mortgage 3½% bonds series B at 102½ and interest. Outstanding serial notes due $1,200,000 March 19, 1945 and $1,200,000 due March 19, 1946, will be paid on March 19, 1945, out of the general funds of the company.

Underwriting—Kuhn, Loeb & Co. heads a nation-wide underwriting group of 68 members.

Registration Statement No. 2-5619. Form A-2. (3-8-45).

NORTHWEST AIRLINES, INC., has filed a registration statement for 178,190 shares of common stock (no par).

Address — 1885 University Avenue, St. Paul, Minn.

Business—Air transportation.

Offering—Holders of common stock of record March 19, 1945, will be given pro rata rights to subscribe to the 178,190 additional shares in ratio of one share for each two shares then held at a price to be filed by amendment. Offer to subscribe is to expire April 2. Unsubscribed shares will be offered by the underwriters to the public.

Proceeds—Additional flying equipment and facilities. Pending specific application of the proceeds funds will be temporarily invested in securities of the United States Government.

Underwriting — Auchincloss, Parker & Redpath; Alfred L. Baker & Co.; J. M. Dain & Co.; Paul H. Davis & Co.; Hornblower & Weeks; Kebbon, McCormick & Co.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane; Pacific Northwest Co.; Paine, Webber, Jackson & Curtis; Piper, Jaffray & Hopwood and Shields & Co.

Registration Statement No. 2-5620. Form A-2. (3-8-45).

RATH PACKING CO. has filed a registration statement for 200,000 shares of common stock, par $10.

Address—Waterloo, Iowa.

Business—Meat packers.

Offering—Company offers to common stockholders the right to subscribe to the 200,000 shares of common at rate of one share of such common for each 3½ shares held. The subscription price will be filed by amendment. Shares not subscribed by stockholders will be offered to public by underwriters at a price to be filed by amendment.

Proceeds—Of the proceeds, $3,000,000 will be used to retire the 5% preferred stock at $100 per share and accrued dividends. The balance will be added to working capital and used for general corporate purposes.

Underwriting—Kidder, Peabody & Co. head the underwriting group.

Registration Statement No. 2-5621. Form A-2. (3-8-45).

WEDNESDAY, MARCH 28

NORTHWESTERN LEATHER CO. has filed a registration statement for 17,000 $2.50 convertible preferred shares and 100,000 common shares, the latter including 61,338 common shares to be issued to existing shareholders in exchange for certain outstanding shares pursuant to plan of recapitalization.

Address—93 Lincoln Street, Boston, Mass.

Business — Manufacture and sale of leather.

Offering—Price to public will be filed by amendment. Company will receive $1,177,503, exclusive of preferred dividends, from the sale of the 17,000 preferred and 38,662 common shares to be sold by the underwriters.

Proceeds—The $1,177,500 of cash proceeds will be used to purchase for retirement the 11,775 preferred and 5,034 common shares now held by certain banks, their nominees or transferees. The remaining 2,231 preferred and 8,690 common shares will be retired by issuing to the eleven holders thereof in exchange therefor 61,338 new common shares.

Underwriting — First Boston Corp is named principal underwriter.

Registration Statement No. 2-5622. Form S-1. (3-9-45).

THURSDAY, MARCH 29

OHIO EDISON CO. has filed a registration statement for $26,039,000 first mortgage bonds due April 1, 1975. Interest rate will be filed by amendment.

Address—47 North Main Street, Akron, Ohio.

Business—Public utility.

Offering—The offering price will be filed by amendment.

Proceeds—Net proceeds with company funds will be used for the redemption of $26,089,000 of first mortgage bonds 3¾% series due 1972 at 107½ and accrued interest.

Underwriting—The bonds will be offered for sale under the Commission's competitive bidding rule, with the successful bidder naming the interest rate.

Registration Statement No. 2-5623. Form S-1, (3-10-45).

INVESTORS STOCK FUND, INC., has filed a registration statement for 2,000,000 shares of capital stock, no par value.

Address—Roanoke Building, Minneapolis, Minn.

Business—Open-end investment company.

Offering—At market.

Proceeds—For investment.

Underwriting — Investors Syndicate is named principal underwriter.

Registration Statement No. 2-5624. Form A-1. (3-10-45).

INVESTORS SELECTIVE FUND, INC., has filed a registration statement for 2,000,000 shares capital stock, no par value.

Address—Roanoke Building, Minneapolis, Minn.

Business—Open-end investment company.

Offering—At market.

Proceeds—For investment.

Underwriting—Investors Syndicate.

Registration Statement No. 2-5625. Form A-1. (3-10-45).

NEWCOR MINING & REFINING, LTD., has filed a registration statement for 500,000 shares of common stock without par value.

Address—67 Yonge Street, Toronto, Ontaria, Canada.

Business—Primarily the exploration, development and operation of mining properties in the Dominion of Canada.

Offering—Price to the public is $1 per share.

Proceeds—Net proceeds will be used for the expansion of the company's mining operations.

Underwriting—Tellier & Co. is named principal underwriter.

Registration Statement No. 2-5626. Form S-3. (3-10-45).

FLINTKOTE CO. filed a registration statement for 75,000 shares of $4 cumulative preferred stock (no par).

Address—30 Rockefeller Plaza, New York City.

Business — Manufacture and sale of asphalt and asbestos-cement roofing and siding products, insulating board products, etc.

Offering—Price to the public will be filed by amendment.

Proceeds—Will be used to redeem 35,637 shares of $4.50 cumulative preferred stock at $105.50 per share, to redeem $3,000,000 15-year 3% debentures at 103½ and to increase working capital.

Underwriting—Lehman Brothers heads an underwriting group of 28 members.

Registration Statement No. 2-5627. Form S-1. (3-10-45).

SATURDAY, MARCH 31

CONTINENTAL GIN CO. has filed a registration statement for 37,303 shares 4½% cumulative preferred stock (par $100).

Address — 4500 Fifth Avenue, South, Birmingham, Ala.

Business—Manufacture and sale of cotton gins and cotton gin machinery.

Offering—Company is offering to holders of its 6% preferred stock the opportunity to exchange their shares for new shares, on a share for share basis. The offering will expire April 20, 1945. Company is offering to the holders of common stock the right to purchase at $105 per share any of the shares not required to be issued in connection with the exchange offer, the offering rights to expire May 25. Any unexchanged or unsubscribed shares will be sold by the underwriters to the public at $106 per share.

Proceeds—Proceeds from any shares of new preferred stock sold will be applied to the redemption of all old preferred not exchanged for new preferred.

Underwriting — The underwriters are Clement A. Evans & Co., Inc.; Courts & Co.; Robinson-Humphrey Co.; Wyatt, Neal & Waggoner and Johnson, Lane, Space & Co., Inc., all of Atlanta, and Sterne, Agee & Leach and Garber, Cook & Hulsey, Inc., of Birmingham.

Registration Statement No. 2-5628. Form S-1. (3-12-45).

SECURITIES ACCEPTANCE CORP. has filed a registration statement for 50,000 shares of 5% cumulative preferred stock, Series A, $25 par.

Address—304 South 18th Street, Omaha, Neb.

Business—Purchase of notes secured by chattel mortgages given in part payment in the purchase of automobiles.

Offering—The offering price to the public is $25.75 per share.

Proceeds—Of the net proceeds company will use $787,500 to retire the $750,000 outstanding 6% preferred stock at par plus 5%. The remaining balance estimated at $431,196 will be applied to the reduction of obligations maturing within one year, and other corporate purposes.

Underwriting—Cruttenden & Co., Chicago, and First Trust Co. of Lincoln, Neb., 25,000 shares each.

Registration Statement No. 2-5629. Form A-2. (3-12-45).

SOUTHWESTERN INVESTMENT CO. has filed a registration statement for 12,500 shares preferred stock, convertible, no par, non-participating with cumulative dividend rights of $1 per share per annum, and 60,000 shares of common, no par. Of the latter 20,000 shares is to be reserved to meet conversion requirements of the preferred.

Address—919 Taylor Street, Amarillo, Texas.

Business—Finance company.

Offering—Holders of the $1.20 preferred stock have been given the option to exchange their stock on a share for share basis for the $1 preferred stock. Any of the $1 preferred not issued in exchange will be offered to the public at $20 per share. Proceeds from such sale will be used to redeem any shares of old preferred not presented for exchange. The corporation also is offering 11,822 authorized but unissued shares of common at $12.50 per share.

Proceeds—To retire present preferred stock and for additional working capital.

Underwriting—None named.

Registration Statement No. 2-5630. Form A-2 (3-12-45).

DATES OF OFFERINGS UNDETERMINED

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.

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.

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.

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.

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.

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.

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.

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.

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.

Bids Invited—Corporation is inviting sealed bids for the purchase from it, of the above bonds. Proposals must be received at Company's Office, 61 Broadway, N. Y. City on or before 12 o'clock noon (EWT) March 20, successful bidder to name dividend rate.

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.

Registration statement withdrawn Mar. 7.

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

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.

Bids Invited—Company is inviting proposals for the purchase from all of the $19,000,000 bonds. Proposals must be submitted at First National Bank, 1 Exchange Place, Jersey City, N. J. on or before 12 noon (EWT) March 19, the successful bidder to name the interest rate.

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.

Bids Invited—Ogden Corp. is inviting sealed bids for the purchase from it of the above shares. Proposals should be submitted at office of First National Bank, 1 Exchange Place, Jersey City, N. J., before 12 noon (EWT) March 16.

MARSHALL FIELD & CO. on Feb. 23 filed a registration statement for 150,000 shares of cumulative preferred stock ($100 par).

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.

OHIO WATER SERVICE CO. on Dec. 7 filed a registration statement for 80,880 shares of common stock, par $10. The shares are now outstanding and are being sold by Federal Water & Gas Corp.

Details—See issue of Dec. 14, 1944.

Underwriters—Otis & Co. are principal underwriters.

OLD STAR DISTILLING CORP. on Aug. 14. 1944 filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share.

Details—See issue of Aug. 24, 1944.

Underwriters—No underwriter named.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1151)

materializing is in itself an unhealthy sign. For while the market may follow a universal belief on one rare occasion, its usual custom is to disregard mass beliefs and act the other way. The fact that it didn't follow custom this time means that there is a larger public interest in the market than generally believed.

We have all heard and read of the huge sums of money underneath current levels waiting to step in and buy. Be that as it may, I have seldom met any amateur stock market operator who has the courage to act on any preconceived notions. He may intend to buy a stock at 50, when he sees it at 60. But let it drop to 51 and he'll cancel in a hurry. No, the public never buys on weakness. It does its buying on strength.

In that case the question is who bought them at 155.

The answer is that it wasn't the public. It was somebody else. What this "somebody" is you can give a name to yourself. Some people prefer calling them the mysterious "they." Others call them "insiders." It makes no difference what you call them because after Friday's and Saturday's activities that kind of buying disappeared. It was then that the board room crowd took over.

The next question therefore, is how far can the market go now. Well, my guess is that it will go up to about 159 and then start down again.

I don't, however, feel that we are heading for a new breakdown. There are too many signs that point up to be lightly regarded. Yet it is wise to prepare yourself for a number of sessions characterized by wide swings in both directions. But if any downswing breaks a pre-determined low point, clear out.

Meanwhile I recommend the following procedure: American Crystal Sugar is still about 18½ where you bought it. Its stop of 18 has held, but action isn't promising any longer. Suggest getting out.

Eastern Air Lines should be bought between 41-42 with a stop at 39.

Goodrich is another issue to act well. Buy it between 57-78, stop it at 56.

Hudson Motors is attractive. Buy 17-18 with a stop at 16.

Jones & Laughlin is a buy 28-29, stop 27.

Phelps Dodge a buy 26-27, stop at 25.

U. S. Rubber should be bought 54-56, stop 53.

* * *

You still hold some other issues. Advice is as follows: American Steel Foundry, bought at 28, stop still remains 29½. Currently 31.

Baldwin Locomotiv bought at 26, stop 28. Cur rent price 28¾.

Crucible bought at 38, rais stop to 42. Stock now at 44½

U. S. Steel bought at 59 Stop remains at 59. Present price 63.

National Lead 26, stop 24 Currently about 26¾.

* * *

More next Thursday.

—Walter Whyt

[The views expressed in th article do not necessarily at an time coincide with those of th Chronicle. They are presented a those of the author only.]

"Our Reporter on Governments"

(Continued on page 1156)

However near the end of the coming War Loan, the six months' holding period for long-term profits will have expired in many cases, and this may result in some selling in this bond at that time. . . . The 2s due June 1952/54 have been outstanding for a long enough time, so that they can be sold now, with a long-term gain being registered. . . . This may explain why this issue is not selling at higher levels than the 2% due Dec. 15, 1952/54. . . .

BUYING BY COMMERCIAL BANKS

The announcement that the commercial banks with savings deposits will not be allowed to purchase the longer-term issues to be offered in the Seventh War Loan resulted in a good demand for the 2½% due 3/15/52/54, the 2¼% due 6/15/52/55, the 2½% due 3/15/56/58 and the 2½% due 9/15/67/72. . . . It was reported that the 2¼% due 6/15/52/55 was the issue most favored by these institutions. . . .

Also, it was indicated, that commercial banks with time deposits were sellers of some of their 2½% due 3/15/52/54 at 105.10 to yield 1.68%, with the proceeds being invested in the 2½% due 3/15/56/58 at 105.10 to yield 1.95% and the 2½% due 9/15/67/72 at 102.3 to yield 2.38%. . . .

TREASURY AND THE MARKET

The question most frequently asked concerning the Seventh War Loan is whether or not the coming financing means a change in the "Financing Pattern"? . . . It was pointed out by money-market experts that the pattern of financing in the United States is made to fit bond market conditions. . . . The Treasury has followed the market pattern instead of setting it. . . . The financial institutions, expecting that the pattern of financing would be changed after what happened in England, pushed the bond market to new high levels. . . . The Treasury, in the coming financing, has made its offerings fit the market, again following the pattern set by the market. . . . Accordingly, it is now the prevailing opinion that we have a new pattern of financing. . . .

This indicates that the Treasury will rely more on short-term securities which the Government thinks the banks will buy or will sooner or later find their way into the commercial banks. . . .

This means that the floating debt will increase as well as the long-term debt. . . . The Treasury will no doubt continue to offer long-term restricted 2½s along with the short-term securities. . . . The over-all debt service will be reduced slightly by this procedure. . . .

WHY NOT 1½s?

Another point of discussion is why the Treasury did not offer the 1½% bonds to corporations, insurance companies and savings banks. It was pointed out that some institutions have made rapid changes in their portfolios during the year. . . . They would buy the 2s, sell them at a profit to the commercial banks, and then buy the restricted 2½s. The Treasury, in order to stop this procedure, will not allow these institutions to buy the 1½% bonds. They can be bought only by individuals and commercial banks with savings deposits, the latter in only limited amounts. The 1½% bonds are suitable for commercial banks, and it is expected these institutions will be buyers of them when the drive is over. . . .

The amount of the 1½% bonds to be outstanding will not be large, and the purchases of these obligations by the commercial banks, after the War Loan has finished, will support the market for these bonds, so that all "Federal" will have to do is buy bills and certificates to supply the needed reserves. . . .

IF . . .

This question has been asked many times in the past week. . . . If the European War should end suddenly, and the Government bond market is unsettled, is it likely that the terms of the Seventh War Loan financing will be changed? . . .

It is the prevailing opinion that if the Government bond market is unsettled by the ending of the European phase of the war, it would be purely psychological and very temporary. . . . It was pointed out that the ending of the war would have a long-term favorable effect on the Government bond market. . . . It would mean a decline in Government spending, currency in circulation would return, gold would come to the country, and lend-lease would probably be reduced. . . . There would be fewer Government bonds sold in the market by the Treasury. . . .

If the bond market should weaken because of the ending of one phase of the war, the recommendation is being made to institutions that they buy on this setback as many as they can of the 2s or any other obligation that will fit their reuirements. . . .

If the market should be in an uncertain position and there is doubt about success of the Seventh War Loan, it is believed that the only changes that may be made, if any, would be to allow the commercial banks (without savings deposits) to buy directly the 1½% bonds that are being offered. . . .

THE TREASURY'S MOTIVE

This point has been raised on several occasions. . . . Why did the Treasury announce some of the terms of the Seventh War Loan at such an early date? . . .

It is indicated that the Treasury wanted to stop the market from driving the 2½s up too far. . . . The Government undoubtedly had in mind an offering of the long 2½s all along, which, it is believed, will be the standard long-term rate. . . . In announcing part of the War Loan data at such an early date, the Treasury told the market there would be plenty of 2½s and to stop getting panicky about them and to stop driving them up in price.

J. B. Hanauer Opens Corp. Trading Dept.

NEWARK, N. J.—J. B. Hanauer & Co., 1180 Raymond Boulevard, specializing in New Jersey municipal bonds since its inception, has opened a corporate trading department to deal in rail, utility and corporate bonds as well as bank, insurance and other unlisted securities.

Davidson With Hornblower

CLEVELAND, OHIO—John A. Davidson has rejoined the staff of Hornblower & Weeks, Union Commerce Building. Mr. Davidson in the past was with the firm's local office for many years.

INDEX