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Dr. Spahr Attacks the "National Income" Concept

Doctor Walter E. Spahr, Professor of Economics at New York University and Secretary of the Economists' National Committee on Monetary Policy, writing in the March 1 issue of "Monetary Notes" calls attention to the many inconsistencies in the various concepts of "national income" and asserts that "it is high time that writers and speakers and others, who are throwing these terms around so freely and drawing so many unwarranted conclusions from them, stop and take a look at this current *species* of self delusion or hypnotism."

Dr. Walter E. Spahr

"The type of discussion, now sweeping over this country in respect to these matters," writes Dr. Spahr, "is a phenomenon that calls for more careful scrutiny than it has been receiving. The general lack of understanding of the meaning of 'national income' and the careless manner in which this satistical and economic 'problem child' is being used has reached the level of economic and political quackery.

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Index of Regular Features on page 1288.

Burgess Defends ABA Views On the Bretton Woods Pacts

Tells House Committee That Objectives of Proposals Are Favored, but Contends That an International Bank Alone, Conducted on Sound Credit Principles, Would Assure Better Success Than Having Both Fund and Bank. Says ABA's Recommendations Are in Interest of Simplification, and Warns That Our International Financial Situation Is Declining Because of War and That American Principles and Interests Should Be Protected. Asserts Contemplated Plans Would Promote Confusion.

W. Randolph Burgess, President of the American Bankers Association and Vice-Chairman of the National City Bank of New York, issued a statement at the hearing before the House Banking and Currency Committee on March 21 in relation to the bill (H. R. 2211) to adopt the Bretton Woods proposals in which he upheld the recommendation in a report of the American Banking Association that the formation of an International Monetary Fund be abandoned, and that a single international banking institution be established that will conduct its operations on sound credit principles. He gave as the chief reasons for the simplification of the Bretton Woods plan that (1) our financial position is declining while other areas have been benefited by our war expenditures and that there is not a widespread need to lend abroad; (2) that the concentration of international lending functions in the Bank is a greater assurance

W. R. Burgess

(Continued on page 1266)

In Time of War Prepare for Peace

By HON. ALBEN W. BARKLEY*
U. S. Senator from Kentucky

Senate Majority Leader Asserts That Devotion of Our Energies to the Earliest and Most Complete Victory, Should Not Blind Us to the Obligation to Provide an Organization for Peace, and He Urges Whole-Hearted Cooperation for an International Organization, Such as That Already Proposed at Dumbarton Oaks. Says Formula Adopted Will Not Be a Perfect Document, but Warns That Some Organization Endowed With Force Is Required to Prevent Future War and Economic Chaos, and Defends the Voting Procedures, Adopted at Yalta, as Protecting Our Interests "Where Vitally Involved."

For more than a century we have been accustomed to the use of the historical injunction, "In time of peace prepare for war." This is undoubtedly the foundation of a wise foresight and precaution intended to guard us against surprise or impotency in the event of an attack upon our Nation or in the event of the necessity for defending our interests at home or throughout the world.

Sen. Alben Barkley

It seems to me that in the present circumstances which confront the world it would be equally wise to adopt an additional slo-

*An address by Senator Barkley before the Foreign Policy Association Luncheon at the Waldorf-Astoria, New York City, March 17, 1945.

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Bretton Woods a Model of International Democratic Action

By JUDGE FRED M. VINSON*
Federal Loan Administrator, American Delegate to the Bretton Woods Conference

Judge Vinson, Asserting That the Bretton Woods Program Is a Common-Sense Way of Dealing With Post-War Economic Problems, Calls for Immediate Approval by Congress to Make Possible Reconstruction and the Expansion of World Trade Warns Against Repetition of Unfair Monetary Practices and Bilateral Agreements of the Pre-War Period, and Says That Work of the Conference Was a Model of Democratic Action. Describes Leading Role Played by U. S. Delegates in Shaping the Plans, and Contends That if We Cannot Agree on These Modest Efforts, Other Nations Will Have Little Faith in Our Will to Cooperate.

Fred M. Vinson

The 44 United Nations that met at Bretton Woods were interested in establishing the means for cooperation in dealing with international economic problems because they believed that the solution of these problems was vital to their own well-being. Every country at the Bretton Woods Conference realized that the effectiveness of its policies to employ its own people depended, to a considerable extent, upon removing the monetary disorders and ob-

*A statement by Judge Vinson before the House Committee on Banking and Currency, March 16, 1945

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Both Business and Investor Need the Investment Banker

By C. J. STRIKE*

President and General Manager, Idaho Power Company

Utility Executive Asserts Investment Banking Is Virtually Irreplaceable in Our Economy Since It Is the Connecting Link Between Small Investor and Business in Need of Capital. He Describes the Operations of Investment Banking Firms and Holds That Because of Their Specialized Skill, They Serve Both the Interests of Business Corporations and the Public. Says Idaho Power Company's Experience Has Proved That the Function of Investment Bankers Is "Valuable, Constructive and Cooperative" in Developing a Sound Financial Program.

Most of us can comprehend how small business is financed from the savings of individuals. We see the corner grocery man as an entrepreneur, investing his own reserve capital in a venture which succeeds or fails as a result of his own managerial ability.

C. J. Strike

We can understand how a business of medium size requires an amount of money in excess of the resources of one person or one family, thereby requiring a partnership or corporation in which a number of people will invest.

By the very nature of things it is obvious that certain types of business and industry — railways, large manufacturing concerns, utilities, etc.—must have so large an investment in facilities that their need for capital exceeds the available surplus resources not only of individuals and families, but of the territories in which they are located. To exist, they must attract the investment of funds from hundreds of thousands of people, and this is the essence of American industry and business.

Since cash reserves of individuals have resulted from hard work—from sweat of the brow and from thrift—the investment of savings is inevitably surrounded with skepticism on the part of the investor. This "flightiness" of capital is not a surprising incident. The small investor has confidence in his own business be-

*Reprinted from "The Idaho Power Company Bulletin," February, 1945.

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King Rich Vice-Pres. Of Albert Frank Agency

King Rich, art directors of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, for the past 3½ years, has been elected a Vice-president of the agency, it was announced by Emmett Corrigan, Chairman of the board.

With W. H. Heagerty Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—Roscoe R. Hough is now with W. H. Heagerty & Co., Florida Theatre Building.

J. H. Riddle, Bankers Trust, Calls Monetary Fund Pump-Priming

In Radio Broadcast, He Contends It Is Wholly Unsuited To the Transition Period. Says Basic Problems Cannot Be Solved by Easy Credits.

Speaking over the Columbia Broadcasting network on March 17, J. H. Riddle, Economic Adviser of the Bankers Trust Company of New York, though advocating the International Bank for Reconstruction and Rehabilitation as "a practical proposal," attacked the International Monetary Fund as "a complex mechanism" which does "not conform to the usual standards of credits," and which, in essence, is merely "a world-wide pump-priming project." He warned that if adopted "we would face an inevitable reaction when credits end and the bubble is pricked."

J. H. Riddle

"The International Bank is a practical proposal and should be adopted," Mr. Riddle began, "but the International Monetary Fund, in my opinion, would not achieve the worthy purposes and objectives set forth. Some machinery for consultation and collaboration in international monetary affairs should be adopted, but this can be provided by the Bank as well as by the Fund. There is no need for the two international institutions.

"The main objection to the Fund relates to the complex credit mechanism proposed and the nature of the credits provided, which do not conform in any way to the usual standards and principles of credits. Rights to credits are based upon quotas which have no relation to the credit needs or the credit-worthiness of the various countries. Those rich in reserves may borrow as well as those poor in reserves, and the Fund's resources would likely be dissipated by granting indiscriminate loans.

"There are no adequate safeguards or assurances that the loans would be used for constructive purposes or that they would be repaid. There would be no maturity dates on the loans and the borrower does not obligate himself to repay in the currency borrowed.

"Instead of removing exchange restrictions, the operations of the Fund would probably require permanent supervision of international transactions. There are elements of permanent control running throughout the plan. It seems to involve an extension of governmental management over foreign exchanges and international transactions.

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The COMMERCIAL and FINANCIAL CHRONICLE
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Other Publications
Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth...$20 yr.

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

Another Fishing Expedition

NASD Questionnaire Believed Preliminary to Interpretation Modifying Practices and Compensation of Sales Force. Well Meaning Board Members Misled by Bureaucratic Conferees. Prying Spirit of Domination Tends Towards Collectivism. Increasing Assumption of Power to Regulate Securities Business Endangers Survival of Small Business. Salesmen Stimulate Securites Sales and Their Elimination Is an Injurious Prospect. Brokers and Dealers Being Deprived of Management Rights.

They're at it again! This time, the subject is sales representatives.

The National Association of Securities Dealers sent out a questionnaire.

As of Feb. 28, 1945, all members of the NASD are required to answer the following questions:

"1. State the number of persons, including partners, officers, directors or sole proprietor, engaged in selling securities.

"2. State the number of sales representatives, excluding partners or sole proprietor, who are compensated by straight salary.

"3. State the number of sales representatives, excluding partners or sole proprietor, who are compensated by a salary and commission.

"(a) State the lowest percentage of gross profit allowed any such person.

"(b) State the highest percentage of gross profit allowed any such person.

"4. State the number of sales representatives, excluding partners or sole proprietor, who are compensated by straight commission.

"(a) State the lowest percentage of gross profit allowed any such person.

"(b) State the highest percentage of gross profit allowed any such person."

It seems that the NASD is going the gamut.

To the never ending series of returns and questionnaires, yet another is being added. Yes, something new is being added.

A number of the NASD Governors are known to us, and for them we have a high regard. We would be reluctant to believe there is unanimity amongst the Board members in this new snooping plan. Some of the Board, themselves super salesmen, are attempting to sell a decidedly disappointing and inquisitional bill of goods. Their far seeing confreres should insist that the order be cancelled.

Would that we had some divining rod which would discover for us the purpose and the extent of the pro-

(Continued on page 1265)

War Production—Past and Future

By WILLIAM L. BATT*

Vice-Chairman, War Production Board
U. S. Deputy Member, Combined Production and Resources Board

WPB Executive Reviews War Output and Expresses Satisfaction With Record. Says There Will Be No 40% Cut-Back When Germany Collapses. Holds Equipment in Europe Is Not Suitable or Useable in Orient and That Immense Additional Supplies Will Be Needed to Defeat Japan. Defends Materials Surpluses as Part of Cost of Victory.

Newspapermen have the expression "hot news" to describe something significant but not yet released for publication, and that is what I understand I have for you today. I didn't know it until a newspaperman friend of mine told me; and I must confess that I had little enough to do with originating it. The other day I had luncheon with Paul Leach, who as you probably know, is the distinguished Washington correspondent for the Chicago "Daily News" and the Knight newspapers.

W. L. Batt

Paul asked me for some cumulative production figures on our war programs. How much war material—tanks, guns, planes, etc., has the United States made since the program began? We jotted down a few notes of things we wanted and the WPB statistical department ran up the figures for us.

I had, of course, to get them cleared for security, and when they were cleared our WPB information section made the com-

*An address by Mr. Batt before the Rotary Club of New York, Commodore Hotel, New York City, March 1, 1945.

(Continued on page 1280)

The Battle of Bretton Woods

By HERBERT M. BRATTER*

Financial Writer Calls Attention to the Unprecedented Government Publicity Campaign in Favor of Bretton Woods Proposals and Takes Secretary Morgenthau to Task for Impugning the Motives of Bankers' Opposition to the Monetary Fund. Warns Against Appeals to Emotion and Says Bretton Woods Program Was Not Work of 44 Nations, Since a Few Big Governments Dominated Proceedings. Holds Fund and Bank Are Part of a Vaster Plan to Lend Abroad and a Dreamer's Program of Making Jobs, and Asserts That Though for a Few Years It May Give a Semblance of Prosperity, It Will Be Defeated by the Insuperable Obstacle of America's Tariff Policy.

Herbert M. Bratter

Washington has been seeing the opening stages of what history may record as the Battle of Bretton Woods. Never have we had an issue quite like this one, never such an unprecedented Government publicity campaign; lobbying such as to entirely dwarf the gold and silver campaigns of the early 1930's.

The very matters at issue are open evidence of how far we Americans have moved toward statism since the carefree days of the 1920's.

If you are a typical American listening to this broadcast from Washington, you are doubtless all for "international cooperation" of

*An address by Mr. Bratter over the CBS, March 17, 1945.

(Continued on page 1270)

How Labor Views Patent Abuses

By MATTHEW WOLL*

Vice-President, American Federation of Labor

Citing Labor's Concern With Our Present Patent System, Mr. Woll Expresses Opposition to Corporations Requiring Employees to Assign Their Inventions to Them as a Condition of Employment. Contends That Under Our Patent Laws Many Inventions Are Not Used or Are Misused and Promote Monopoly. Says Some American Patented Articles Are Produced Abroad and Imported, Thus Injuring American Labor, and That a Growth of Collectivism Will Be Detrimental to Patentees. Urges Patent Laws Be Adjusted and Administered so as to Perpetuate the Free Enterprise System.

Until recent years American workers have given little attention to the subject of patents. Lately, however, they have shown an increasing interest in this subject. Presently they are seriously concerned about future possibilities in the realm of world commercial relationships. Exclusive grants of the right to prohibit or exclude others from making, using, or selling an inventor's creation or discovery necessarily are included.

Matthew Woll

The National Patent Planning Committee, in its report of 1943, stated quite accurately that "the strongest industrial nations have the most effective patent systems."

We may rightfully claim to be the strongest industrial nation in the world. We have become a great industrial nation because of our spirit of free enterprise and our national zest for striving toward new horizons. Those, who, in the early years of the republic pioneered against most difficult odds, toiled principally with their hands.

As a result of this free pioneering spirit, and as a consequence of the desire to lighten the burden of fellow workers and as well to benefit themselves, new devices, productive machinery and industrial and commercial relations were developed laying the foundation upon which was built the greatest nation in the world. Our's truly is a land of free enterprise and free labor—the wellspring of an industrial capacity which has outstripped the productivity of all other nations, especially those using feudal, slave, or totalitarian, which includes forced labor.

The miracle of the 20th Century is that American workers toil fewer hours for more wages, work under better, more humane conditions, and still out-produce the industrial plants of any other country of the world. This miracle was made possible by the genius of the inventors whom our forefathers sought to encourage and protect under our patent system.

Without benefit of extensive laboratories and often the victims of exploitation pioneer inventors received small compensation for their creations or discoveries, altogether all out of proportion to the sacrifices entailed. However this was the joy of creation—the immense satisfaction of creating that which did not exist before.

Americans always have been an inventive people. It is said that more than three-fourths of the industrial wealth of our country is attributable directly or indirectly to the inventive genius of our people, as represented by patent rights. Many instances might be cited wherein craftsmen conceived and developed processes and mechanical devices which have revolutionized production and transportation and have laid the foundation for the remarkable rise of our industrial and agricultural life. Workers may rightfully claim to have made great contributions to the phenomenal progress of America.

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*An address by Mr. Woll before the New York State Patent Lawyers Association at the Waldorf Astoria Hotel, New York City, March 13, 1945.

CED Reports on the Bretton Woods Plans

Issues Statement of Its Research Committee Approving the International Bank, but Recommends Postponement of Fund Until Bank Is Granted Power to Make Currency Stabilization Loans. Says International Fund Cannot Remedy Abnormal Currency Conditions in Transition Period and Therefore Proposes Bank Make Currency Stabilization Loans for This Purpose. Ralph Flanders, Chairman of Research Committee, Explains Proposals in Press Conference.

On March 19, the Research Committee of the Committee for Economic Development, headed by Ralph E. Flanders, who is President of the Federal Reserve Bank of Boston, released a statement on the Bretton Woods Proposals. This statement is part of a longer policy statement that is now in preparation dealing with International Trade, Foreign Investment and Domestic Employment.


Ralph E. Flanders

In the introductory portion of the statement, Mr. Flanders, as Chairman of the Research Committee, pointed out the importance of solving the larger problems of transition in the post-war period rather than to offer conclusions on matters of merely current interest, and that if the International Monetary Fund is established, it will be put to the necessity of financing the "unstable conditions" of the transition period for which it is not equipped. Holding that the Bretton Woods proposals will constitute momentous progress in international collaboration only "if such agreements turn out to be workable and lasting," it is recommended that before the Fund operates, the International Bank's powers be broadened to permit it to make both short-term and long-term currency stabilization loans.

With this "simple but significant change," Mr. Flanders concludes, "the soundness of both the Fund and the Bank will be better assured, and hope of successful achievement of their great purposes is not unreasonable, even in the very difficult readjustment period of world economy."

Upon releasing the statement, Mr. Flanders held a press conference in Washington which was attended by Herbert M. Bratter, a correspondent of the "Chronicle." Since it is rumored that the Treasury Department supports the CED Committee's recommendations, we publish below excerpts

(Continued on page 1282)

Holds Bretton Woods Plan Would Create Black Market in Exchange

Dr. V. O. Watts, Economic Counsel of Los Angeles Chamber of Commerce, Calls Agreements the "Economic Consequences of Mr. Keynes."

Publication of a detailed analysis of the Bretton Woods Agreements, which propose an international monetary stabilization fund and a world bank for reconstruction, has been published by the Los Angeles Chamber of Commerce, in a recent issue of its magazine, "The Economic Sentinel," published periodically by the Chamber to acquaint the public with vital problems affecting the national and regional economy.


Dr. Vernon O. Watts

The study, prepared by Dr. V. Orval Watts, economic counsel of the Chamber, after pointing out that the Bretton Woods plans have been advanced—and widely accepted by foreign traders—as insurance of post-war world-wide trade growth, economic stability and guardian of democracy, presents arguments to show that adoption of the proposals would result in the following developments:

1. American foreign trade would be strangled, with citizens of this country being unable even to travel or to send mail or any kind of communication to a foreign nation, or to ship goods into or out of the United States without permission and scrutiny of international authorities controlled by foreign nations.

2. American industry, because its favorable position would allow active growth of exports and thereby cause a shortage of dollars in the pooled funds of the international stabilization fund, would be thrown out of world markets in order to promote "stability" of foreign currencies.

3. American taxpayers would provide most of the real money in

(Continued on page 1287)

Lebenthal Co. Expands Activity; Adds Two

Lebenthal & Co., 135 Broadway, New York City, one of the first bond houses in America to create a specialized market for odd lot municipal bonds, has entered upon an expansion program which will greatly broaden the organization's scope of activity. Beginning immediately, Lebenthal & Co., in addition to its odd lot business, will deal in large blocks of municipals. The organization will also make direct bids to municipalities for new issues and will participate with syndicate bidders to the same end.

Coincident with this expansion program, the company has added to its Municipal Bond Trading and Sales Department staffs Arthur C. Lewis and Alexander T. Dickson, who have a municipal bond background of fourteen and twenty-five years respectively.

Bricker To Address N. Y. Chamber April 5

Former Gov. John W. Bricker of Ohio, who was Governor Dewey's running mate in the 1944 Presidential campaign, will be the guest of honor and speaker on April 5 at the 177th anniversary of the founding of the Chamber of Commerce of the State of New York. Leroy A. Lincoln, President, will preside at the meeting, which will be held at 65 Liberty Street, at 12 o'clock noon.


John W. Bricker

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

NATIONAL SECURITY TRADERS ASSOCIATION

The following members comprise the Publicity Committee of the National Security Traders Association. In addition to these, as previously reported, each affiliate has chosen a local Chairman to supply the Committee with items of interest concerning his affiliate.

Henri P. Pulver, Goodbody & Co., Chicago, Chairman.
T. G. Horsfield, Wm. J. Mericka & Co., New York, Vice-Chairman.
R. J. Glas, Glas & Crane, New Orleans, La.
Donald E. Summerell, Wagenseller & Durst, Los Angeles, Cal.
Henry J. Arnold, Clair S. Hall & Co., Cincinnati, Ohio.
Ralph F. Carr, Ralph F. Carr & Co., Boston, Mass.
Jack E. Jones, Vice-Pres., Hartley Rogers & Co., Seattle, Wash.


Henri P. Pulver


R. Jeremy Glas


D. E. Summerell


Henry J. Arnold


Ralph F. Carr


Jack E. Jones

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

At a recent meeting of the Board of Governors of the Security Traders Association of Los Angeles, it was decided to forego the usual Spring party due to travel restrictions and lack of hotel accommodations. In its place a dinner will be held at the Ambassador Hotel, April 3. The Association will ask the women members of the various trading departments in town to be guests at this function. For anyone who may be coming to the Coast around this time, reservations must be made before March 27 by contacting Joseph Gallegos, Pacific Co. of California, 623 South Hope Street, Los Angeles 14.

Calendar of Coming Events

Apr. 3, 1945—Los Angeles, Security Traders Association—Spring Dinner at the Ambassador Hotel.
Apr. 20, 1945—New York, Security Traders Association of—Annual Dinner at the Waldorf-Astoria Hotel.

Dealer-Broker Investment Recommendations and Literature

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

Arithmetic of Corporation Taxes, in Reynolds **Review for Security Dealers**—Also containing a study of outlook on **Detroit Harvester**—**Reynolds & Co.,** 120 Broadway, New York 5, N. Y.

Chicago's Traction Plan—Digest of the formal plan submitted to the Federal District Court on Feb. 28, which is designed to net securities holders of Surface and Elevated Lines approximately $99,750,000—**Leason & Co., Inc.,** 39 South La Salle Street, Chicago 3, Illinois.

Insurance Stock Index for February, 1945—Tabulation of trends in the market of fire and casualty stocks—**Mackubin, Legg & Co.,** 22 Light Street, Baltimore 3, Md.

Also available are memoranda on **Bankers & Shippers Insurance Co., Jersey Insurance Co., National Casualty Co., Pacific Fire Insurance Co., U. S. Fidelity & Guaranty Co., U. S. Fire Insurance Co.,** and **Westchester Fire Insurance Co.**

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

American Chain & Cable Co., Inc.—Memo on interesting speculative possibilities—**H. Hentz & Co.,** 60 Beaver Street, New York 4, New York.

Also available is a leaflet of **Research Comment.**

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

Ampco Metal, Inc.—Circular on interesting post-war possibilities—**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, **Chicago Railway Equipment Company, Liece Neville,** and **Soss Manufacturing Company.**

Benguet Consolidated Mining Co.—Analysis—**F. Bleibtreu & Co., Inc.,** 79 Wall Street, New York 5, 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.

Central Electric & Gas Co.—Recent developments and pro forma consolidated statement of income—**Rogers & Tracy, Inc.,** 120 South La Salle Street, Chicago 3, Illinois.

Central Illinois Electric & Gas Co.—Recent developments—**G. A.**

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Brailsford Adds Migely

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Brailsford & Co., 208 South La Salle Street, members of the Chicago Stock Exchange, have added William A. Migely to their staff. In the past Mr. Migely was with Rogers & Tracy, Inc. and Abbott, Proctor & Paine.

J. P. Dreibelbis V.-P. Of Bankers Trust Co.

At a meeting today of the Board of Directors of Bankers Trust Co., J. Paschal Dreibelbis was elected a Vice-President of the Company.

J. Paschal Dreibelbis

Mr. Dreibelbis was, until Mar. 15, General Attorney of the Federal Reserve Board where he has served since 1941. He acted as Assistant General Counsel to the Board from 1936 to 1941.

Prior to this Mr. Dreibelbis was Special Counsel to the Reconstruction Finance Corporation in the Insolvent Bank Division and Special Counsel in the office of the Controller of the Currency during the bank holiday, and later in charge of reorganization of national banks.

He was Assistant Counsel to the Federal Reserve Bank of Dallas for three years and then a member of the Dallas law firm of Locke, Locke, Stroud & Randolph.

Mr. Dreibelbis was born in Fort Worth, Texas, in 1899. He was educated in Dallas and took his law degree from the University of Texas.

E. Ralph Sterling With David J. Greene

David J. Greene, 30 Broad Street, New York City, member of the New York Stock Exchange, announces that E. Ralph Sterling, previously with Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane, has become associated with him to engage in Research on Special Situations.

W. F. Abbott Now With White & Co. In St. Louis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Welcome F. Abbott has become affiliated with White & Company, Mississippi Valley Trust Building, members of the St. Louis Stock Exchange. Mr. Abbott was formerly assistant manager of the local office of Barrett Herrick & Co., Inc., and was with Wise & Smoot, Inc.

Action of Stocks Selling Below and Above 20

National Securities & Research Corporation Analyses Effect of New Margin Rule and Concludes That Low Price Shares Have Been Advancing on Outright Purchases for Cash.

The March 15th issue of "Investment Timing", published by the National Securities & Research Corporation, discusses the effect of the new Stock Exchange rule prohibiting the margining of stocks selling at or below $10 per share.

L. H. Bradshaw
Editor
"Investment Timing"

"At first," states the review, "it was expected that the Stock Exchange's action on margins, effective Monday, March 5, might have an adverse effect on stocks selling below 20. The general market, however, continued to advance for the first three days of the week, and there were only slight fractional losses in some stocks selling under 20. The action of the market emphasized the fact that it had been advancing largely on outright purchases for cash."

Continuing, the service remarks that "the market sold off sharply on Thursday and Friday. A sequence of events—the new margin requirements, an intimation that 100% margins were being considered, the news of the American army crossing the Rhine, foreshadowing an earlier end to the war and reviving consideration of reconversion problems, and a technical position weakened as a result of the sustained advance—collectively accounted for the decline.

"In comparing the behavior of

(Continued on page 1287)

Senators Taft and Tobey Debate Bretton Woods

Ranking Republican Members of Senate Banking and Currency Committee Appear on Theodore Granik's Forum of the Air. Senator Tobey Defends the Agreements, but Senator Taft Opposes on the Ground That They Will Entail Loss of American Dollars and That, Because American Funds Will Be Largely Used, Other Nations Will Eagerly Borrow at Our Expense. Tobey Accuses Taft of Viewing Project With "Dark Glasses."

Since the most difficult hurdle in enacting the Bretton Woods program will be the Senate, we publish below some excerpts of the debate on the American Forum of the Air, March 20, between Senators Charles W. Tobey and Robert A. Taft, ranking Republican members of the Senate Banking and Currency Committee. The Forum was also participated in by W. L. Gregory, President of the Independent Bankers Association, and U. V. Wilcox, Washington financial writer. Theodore Granik served as moderator. He began by asking Senator Tobey: "Must we hurry this program through before the San Francisco Conference meets on April 25?"

Senator Tobey: "There is no must about it, but I agree with Secretary Morgenthau it would be highly desirable and a great stimulus to the San Francisco Conference if we could agree in Congress before the Conference is held, making fait accompli the first move in world cooperation by all the nations of the world."

Senator Taft: "I would like to suggest, Mr. Granik, that, after all, we should hold off definite commitments on all post-war loans until we see what these other nations are willing to do at San Francisco. Why give away $6,000,000,000 to them now before they sign up this plan for peace? This money perhaps is our last weapon to help secure international agreements to the Dumbarton Oaks plan or a better plan. Currency stabilization also should really be the last step. It can

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Hubert Atwater With J. G. White & Co.

J. G. White & Company, Inc., 37 Wall Street, New York City, investment bankers, announce that Hubert F. Atwater has joined their organization. Mr. Atwater entered the securities business with Redmond & Co., and has been active in investment field as distributor and underwriter since 1906. During recent years he was associated with Eastman, Dillon & Co.

Hubert F. Atwater

He has participated in the preparation of reorganization plans for railroads in receivership and has acted as a member of bondholders' committees in the same field. He is chairman of the Protective Committee for Chicago, Milwaukee, St. Paul & Pacific adjustment mortgage 5s.

The business of J. G. White & Company, Inc., was established in 1890.

John J. O'Brien Co. To Admit E. Spalding

CHICAGO, ILL.—John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges, will admit Evans Spalding to partnership in the firm as of April 1. Mr. Spalding in the past was with Mitchell, Hutchins & Co. and Abbott, Proctor & Paine.

Joyce With Holley Dayton

CHICAGO, ILL.—Leonard P. Joyce has become connected with Holley, Dayton & Gernon, 105 South La Salle Street, members of the Chicago Stock Exchange. Mr. Joyce was formerly with Paine, Webber, Jackson & Curtis, and David A. Noyes & Co.

Public Utility Securities

Heavy Utility Refunding Operations Ahead

Public utility financing was extremely heavy during October-November in anticipation of the War Bond Drive in December. It was generally assumed that this heavy rate of activity would be resumed after the drive and the holidays, but this did not prove to be the case. A number of companies had apparently been anxious to get their deals completed in 1944 so that they would not run the risk of losing tax savings resulting from premium charge-offs, in case the excess profits tax should be cancelled in 1945. Possibly this accounted for the letdown early this year.

It is understood that plans for one small issue, the $2,000,000 Arkansas-Missouri Power Company's 3⅛s, 1974 (scheduled to follow the bond drive) were postponed indefinitely as the result of some new SEC ideas regarding the set-up or the indenture. In another case, Central Ohio Power & Light preferred, technicalities also delayed the issue. Perhaps similar difficulties arose with other projected issues. In any event, total utility financing was only $70 million in January and $60 million in February compared with $263 million in November, $515 million in October and $144 million in September. (Financing in previous months averaged much lower.)

Financing in March has not been heavy thus far so far as utilities are concerned. The $4 million Northern Pennsylvania Power is 2¾s, 1975 were offered on March 8 by a syndicate headed by Langley and Glore Forgan. As is usual with the smaller issues, there were a number of group bids, resulting in keen competition, reflected in the retail offering at about a 2.70% basis. Some time ago such a yield would have seemed ridiculously low for an "A" bond, but the piling up of institutional funds and the relative scarcity of offerings in December-February resulted in a "sellers' market." Despite the low yield the bonds were reported well taken.

Several important issues are being offered currently: 40,000 shares Florida Power Corp. preferred stock and three Laclede Gas Light issues—$19,000,000 first mortgage bonds due 1965, $3,000,000 serial debentures and 2,165,296 shares of common stock. Reference to the common stock was made in this column in the story on Ogden Corp. (March 8).

The $80,000,000 Pacific Gas & Electric Refunding originally scheduled to be handled by Blyth on a noncompetitive basis, got into difficulties when Halsey Stuart demanded that the California Railroad Commission require competitive bidding, to which the Commission agreed. The SEC had previously ruled that Pacific Gas was a subsidiary of North American Co. and thus subject to competitive bidding. The company then obtained a court injunction against the SEC and, in a decision on March 12, the Supreme Court upheld the position taken by the Commission.

Other issues registered with the SEC include $6,967,000 Central Vermont Public Service bonds and 40,000 shares of common stock (apparently only the bonds will be competitive); $26,089,000 Ohio Edison bonds; $18,000,000 Texas Electric Service first mortgage bonds and $3,000,000 serial 2⅛s (together with a pereferred stock exchange), and $3,750,000 St. Joseph Railway, Light, Heat & Power 3¼s. Other issues include the merger financing of Savannah-St. Augustine Gas Co. (preferred and common) and an offering of West Virginia Water Service preferred and common (by Allen & Co. and Shea & Co.).

The technique for effecting exchanges of new preferred stocks for old without an underwriting by bankers, is something new: two companies, Dallas P. & L. and Carolina P. & L., are working on deals of this kind. In the case of Dallas the new issue will be virtually underwritten by the holding company, Electric Power & Light, which will "buy" new common stock at $60 a share in sufficient amount to take care of the unexchanged preferred.

The number of potential deals on which timing remains indefinite would make a long list. Virtually all utility bonds with coupons of 3⅜-5% and ratings of Baa or better, now seem "vulnerable" to potential refundings, and A 3¼s may also be in danger. The utility bond market appears to have reached ridicuously high levels, partly because of the remaining institutional prejudices against rail bonds, which certainly seem to offer more attractive bargains for the average investor. With money rates still on the downward trend this inflated condition for utilities offers that industry a golden opportunity for refunding at all-time low coupon rates. The Treasury Department's low money-rate policy is giving the industry a "break"—in marked contrast to the general anti-utility policy of the Administration.

Some Problems of Reconversion

Bowles Cites Need of Reemployment of 15 Million Veterans, Disposal of Unprecedented Quantities of Surplus Materials, and the Reconversion of Plants to Peace-Time Production as Requiring a High Order of Cooperation Between Business and Government. Hints Business Men Are Frightened by Future Prospects, but Says Our Flexibility, Combined With Will to Cope With Problem, and Lessons Learned Prior to and During War May Help Solve Problems. Leo Cherne Warns of Dangers of Drastic Cut-Backs.

On March 19, Chester Bowles, Director of the Office of Price Administration, spoke before the National Conference of Business Paper in the Waldorf-Astoria Hotel, in New York City, on the

Chester Bowles

Leo. M. Cherne

problems that must be faced in the reconversion period immediately following the peace. According to Mr. Bowles' remarks, as reported by Max Forester in the New York "Herald Tribune" on March 20, "he used blunt words throughout a 60-minute talk" and requested that he be not "directly quoted because he might be misunderstood." According to the "Herald Tribune" writer, Mr. Bowles expressed the belief that "reconversion, in itself, would probably be more difficult than the period of war production just past, and would call for a high order of cooperation between business and government."

According to the report of Mr. Bowles's remarks, he warned that failure to provide for full employment at a rate in excess of that of 1940 would jeopardize the private enterprise system throughout

(Continued on page 1272)

Senate Passes Measure Exempting Issues To $300,000 From SEC Registration

In a Rider of Senator Vandenberg to the Appropriation Bill for Federal Housing Authority the Exemption of Issues Is Raised From $100,000 to $300,000. "Proposal Merits a Trial," Says SEC Chairman.

The Senate on March 15, approved the insertion of a rider in the appropriation measure for the Federal Housing authority which would exempt new issues of securities in amounts up to $300,000 from the registration requirements of the Securities and Exchange Commission. The rider was intro-

A. H. Vandenberg

duced by Senator Arthur H. Vandenberg of Michigan, who contended that the required registration of issues above $100,000, as contained in the present law, "makes it almost impossible to float small issues of stocks and bonds." Since the Securities and Exchange Commission, under the Securities Act merely passes upon the accuracy and adequacy of disclosures required by the Act to be made in connection with public issues of securities, the Senate approval of the increase in exemption does not remove from the authority of the Commission its present power to impose terms

Ganson Purcell

and conditions found necessary to protect investors and the public interest in matters relating to the exempted issues.

Chairman Ganson Purcell, of the SEC in a letter to Senator Vandenberg, dated September 13, 1944, stated that he did not oppose the provision to raise the exemption limit, though he contended that the costs of registration to small concerns was relatively light, and that this cost could not be used as an argument for raising the exemption limit.

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Tomorrow's Markets Walter Whyte Says—

Market having rallied from lows now indicates another set-back. Expect reaction to stop above previous lows and resume rally after period of digestion.

By WALTER WHYTE

There wasn't much that happened since the previous article was written to change the opinion of this column that the major trend is still up. A significant point is the ability of various stocks to get going in what is apparently a general feeling of lassitude expressed by the rest of the market.

* * *

For example there was Eastern Air Lines. Last week when I recommended its purchase it was selling between 41 and 42. At least it was there when I spotted the action and wrote about it. Yet before you could even read the buying advice it was away to the races. It was one of those things that can't be avoided in a weekly column. Telling you to buy anything at the market is equally impractical. For while it might work out occasionally, the odd time when it didn't would get you into the market at a price that only an Act of Congress would bail you out of.

* * *

At the same time I advised the Eastern Air purchase I also recommended another list of stocks. Up to the time this is being typed not one of the new stocks has become available. A few got within fractions of the buying area—but that was about all. Perhaps they will react to the buying zone by the time you read this. If they do keep your eye peeled and remember the stop is there for more than a space-filler.

* * *

In case you don't remember what these stocks were here is complete list:

Goodrich between 57 and 58; stop 56.

Hudson Motors between 17 and 18; stop 16.

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Another Fishing Expedition

(Continued from page 1259)

posed "regulation" or "interpretation" behind this new questionnaire.

We could then pass such knowledge on to the dealers and brokers who will be affected.

The NASD bureaucracy is at bat for another inning.

Let us proceed to analyze some of these questions. Take number "1." Whether or not a partner is engaged in selling securities is not as simple a question as it seems. In a strict legal sense he is so engaged and this despite the fact that he may never see a customer or may never himslf send out a piece of literature. The doctrine of agency stamps him as a salesman.

Prying into salary and commissions of salesmen, we feel, is no affair of the National Association of Securities Dealers.

The term, "gross profit," as used in the questionnaire is a misnomer, when what is intended appears to be "gross spread."

For what kind of tampering and disturbance is this current questionnaire a ground work?

Haven't we had more than enough of interference, overregulation and inquisition?

Security salesmen are the ones who dispose of the securities of small corporations. They are the door bell ringers. Oh, yes, we know that term has been derided; but people are not born with the inherent urge to buy securities. Just as in our system of government, so in sales, knowledge frequently comes through the home door, and it is just that it should be so.

Salesmen keep a portion of the public who would otherwise not be informed, abreast of current situations.

Because of the war, the number of available security salesmen has been seriously curtailed.

If any effort be made now to trifle with their compensation, such curtailment may reach the dangerous stage where the securities of the smaller corporations will not receive the public attention that they deserve, and our economy will be seriously interfered with.

The figures or alleged figures gathered from this survey, may again be used as the background of one of those "interpretations" which heretofore caused considerable havoc.

Information which should belong to private concerns may come into the possession of competitors.

Why should business structures built as a result of a life's effort, and information which is appropriate to those structures, be relinquished in response to bureaucratic inquiry?

Under the by-laws of NASD, some duty exists on the part of members to answer questionnaires.

This power to compel such answer is subject to considerable abuse and we feel that the instant case constitutes one of those inexcusable abuses.

Some of the courageous men in NASD ought to join their forces to compel either an abolition of that power or certainly a severe curtailment of it.

The next thing we know, after an alleged analysis of the returns, the Board of Governors of NASD will be drawing some non-sequitur conclusions, and will attempt by "interpretation" to change trade custom and usage in the employment of sales help and the portion of the spread which sales help receives as compensation.

In a letter accompanying the questionnaire, the member is "requested to include one copy of each piece of sales literature used during the month of February, 1945; and one copy of each offering sheet distributed to banks, insurance companies, brokers, dealers, individual investors, and any others during the month of February, 1945."

The possession of power is the will to greater power. What insolence!

We believe that there exists a well centered will to abolish all such snooping.

Such abolition must take place, and promptly, if small business is to be saved, liquid markets to be preserved, and the American way of free enterprise to be continued.

The mounting signs of collectivism are continually growing more numerous, and the regulations in the securities field are striking a definite and dangerous pattern along those lines.

We must insist on continuing to be Captains of our ship.

Attacks "Nat'l Income" Concept

(Continued from first page)

"Large 'national income,'" he continues, "is said to bring prosperity, to insure employment, and so on. Here are some questions: Just what is 'national income'? Is this concept measurable and is it measured statistically with any accuracy? Does a large 'national income' cause spending, or is it the result of spending? What, specifically, is its relation to spending? And is it 'national income' or spending that, along with the goods and services sold, determines prices? And where does greater production, saving, and investment fit into these factors as causal agents? Did not the 'national income' of the German people reach fantastic heights in 1921-1923 when their currency was depreciating rapidly and their spending was frantic? Did great spending and great 'national income,' in terms of their money, mean economic health, or heavy employment, or greater production, or saving, or prosperity? Are not our 'national income' figures in terms of money too? With our 'national income' now said to be roughly twice that of the average year of the 1920's, are we twice as well off?"

Dr. Spahr suggests that "it is high time that writers and speakers and others, who are throwing these terms around so freely and drawing so many unwarranted conclusions from them, stop and take a look at this current species of self delusion or hypnotism or whatever it is. Let the 'blind who would lead the blind' ask themselves how a sharp business recession can set in from a boom when 'national income' and spending are mounting if these insure employment, and if 'full' employment insures larger 'national income' and spending, and prosperity, and so on and on, as the argument is running today. Yet spending and debt and booms do end in severe recessions and unemployment!"

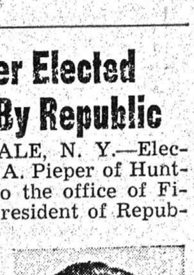
A great proportion of argument regarding spending to increase national income, Dr. Spahr holds, "is nothing but the Socialists' under-consumption theory of business cycles dished up to the general public in terms that they do not understand but which, apparently, sound plausible to them. The end result of these 'theories' is more and more public spending, deficits, still greater debt, and Statism in some form.

"Serious and careful people have been trying for several years to develop a concept of national income and to get data of sufficient value to make the term useful. But neither the best-developed concepts nor the available statistical data relating to them warrant the type of use of the term that is sweeping this country today. It probably is most unfortunate that even the most usable concept of 'national income' was ever permitted outside the scientific laboratory since it is little if anything more than an embryonic monstrosity. Just why so many economists who profess to be careful and responsible regarding such things are not protesting and explaining the defects, limits, guessing, and crudities involved in this term is puzzling. Some of those who, instead of issuing wanings, seem to be furthering its use, apparently because of the inferences being drawn, were also propagandists for the related economic monstrosity—the 'inflation gap'—(the use of which, fortunately, seems to be dying out), and can nearly always be found to be advocates of heavy postwar spending, deficit financing, and some brand of Socialism or Statism."

Professor Spahr, in a previous special article published in "the Chronicle," May 20, 1943, expressed similar views to the above, and supported his contentions with elaborate data. He then called for "a more careful scrutiny of the estimates of national income, and criticised the figures published by the Department of Commerce covering the year 1942.

A. A. Pieper Elected Fin. V.-P. By Republic

FARMINGDALE, N. Y.—Election of Arthur A. Pieper of Huntington, L. I., to the office of Financial Vice-President of Republic Aviation Corp., Farmingdale, L. I., has been announced by Alfred Marchev, President of the company. Mr. Pieper joined Republic a year ago as assistant to the President, in charge of accounting and auditing.



Arthur A. Pieper

Mr. Pieper has had a long experience in corporate finance and accounting. He has held positions in that field of activity with International Harvester Company, Price Waterhouse & Co., and Arthus Andersen & Co. At one time he was a partner in the accounting of Glenn Ingram & Co.

Mr. Pieper was born in St. Louis, Mo., in 1898. He was graduated from St. Paul's College, Concordia, in 1917. He is married and has three children.

Philadelphia Stock Exchange Elects

PHILADELPHIA, PA.—Edgar Scott, Montgomery, Scott & Co., was elected President of the Philadelphia Stock Exchange for a term of one year, at the annual election meeting.

Elected to the Board of Governors for three-year terms were: Frank E. Baker, Baker, Weeks & Harden; Richard L. Fox, Moyer & Co.; H. Gates Lloyd, Drexel & Co.; Harry MacDonald, Bioren & Co.; George E. Nehrbas, Parrish & Co.; Samuel K. Phillips, Samuel K. Phillips & Co., and Frederick P. Ristine, F. P. Ristine & Co.

Spencer Trask & Co. Will Admit Bellows as Partner

Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other leading Exchanges, will admit H. H. Bellows to partnership in the firm as of April 2.

Welke Company Resumes Activity

SAN FRANCISCO, CALIF.—Edward P. Welke has announced the resumption of business by Welke & Co., dealers in investment securities, from offices at 369 Pine Street.

Real Estate Securities

EARNINGS OF SHERRY-NETHERLANDS HOTEL SHOW LARGE INCREASE

Sinking Fund More Than Double Previous Six Months Period

The Sherry-Netherland Hotel, New York City, was reorganized in 1936 at which time First Mortgage bondholders received new 5¾% Income First Mortgage Fee bonds on a par for par basis and 60,000 shares of a total of 67,900 shares of Common Stock issued. The new bonds became the obligation of a new corporation, The Shemeth Corporation, and are secured by a first mortgage on 12,500 square feet of fee land fronting 100 feet on Fifth Avenue and 125 feet on 59th Street and upon the 37-story apartment hotel building having 375 rooms.

The increase in hotel business generally has had a favorable effect on this property. The terms of the new Trust Indenture which provided for the use of 50% of the income above 3% interest on the bonds has enabled funded debt reduction. The following quotes from the Corporation's report, dated March 1, 1945, are interesting:

"Reflecting continued business expansion, gross income of the Hotel Sherry-Netherland for the year 1944 increased $261,841.82, or approximately 22%, over that for the preceding year. Despite higher operating costs, including a rise of almost $30,000 in payroll expense, profit after taxes and insurance rose from $252,967.22 to $438,435.52, an advance of $185,-468.36, or approximately 73%. After all charges, including depreciation, but before bond interest, there was an increase in profit of some 400% in 1944, over 1943.

Net earnings for the period July 1, 1944, to Dec. 31, 1944, determined in accordance with the Indenture, show $226,762.76 available for Bond interest and for retirement of Bonds. Of these Net Earnings, $156,402.38 is applicable to Bond interest. This, added to the sum of $2,585.11, carried forward from a previous period, resulted in a total of $158,987.49 available for interest on the Bonds. The Corporation made an interest distribution of $157,745.50 (2¾%) on the Bonds on March 1, 1945, to Bondholders of record Feb. 9, 1945. The remainder of $1,241 has been set aside and will be held for future payment on account of Bond interest.

The amount available for sinking fund from the earnings from the six months period ended Dec. 31, 1944 was $70,359.36 as compared to $32,319.60 in the previous six months period. A total of $194,200 bonds were retired with these funds to reduce the $6,000,000 originally issued in reorganization to the present outstanding amount of $5,622,700.

Burgess Defends ABA Views On the Bretton Woods Pacts

(Continued from first page)

of soundness; (3) that for the protection of our own interests we should avoid the use of our dollars for purposes to which we are opposed; and (4) that the plan does not forbid other powerful weapons of economic warfare such as tariffs, quotas, subsidies and the like. The text of the statement follows:

The American Bankers Association agrees with the purposes and with a large part of the substance of the Bretton Woods plans. The Association has been on record since 1943 in favor of an international monetary organization to help achieve these purposes. We want international cooperation and exchange stability.

The record of the Association in this respect is clear and consistent. The report of our Economic Policy Commission, issued Sept. 1, 1943, said:

"Some international institution is desirable: to help nations in stabilizing their currencies; to provide a meeting place for the discussion of monetary questions; to collect information which is a necessary basis for sound decisions, and to make some arrangements for stabilization credits in cases where they are justified."

We are still in favor of these objectives as is shown in the Association's report on the Bretton Woods proposals made on Feb. 1 to our membership.

This report was the joint product of three committees of our Association, acting with committees of two other banking organizations, the Association of Reserve City Bankers and the Bankers Association for Foreign Trade. It was approved by the governing bodies of each of these associations. The members of these committees—sixty in all—came from all sections of the United States, represented different types of institutions, and came largely from centers that have a definite interest in foreign business.

At our annual convention in September, 1944, the Bretton Woods proposals were widely discussed, the general views of our members began to crystallize, and the convention authorized the Administrative Committee of the Association to act on its behalf. The Committee has done so.

Furthermore, we withheld open discussion of the matter pending the November elections in the conviction that controversy on foreign relations should, as far as possible, be kept out of the campaign.

The differences of opinion concerning the Bretton Woods proposals arise with respect to methods and NOT to objectives. We agree with the objectives, but we think that the Fund should not be created. In its place we favor the establishment of a department of the Bank to perform the stabilization functions now assigned to the Fund.

You have two sorts of questions before you: One, the question of the merits of the proposals; and the other, a question of international relations. Before we analyze the merits of the plans before you—the Fund and the Bank—and how they fit into the present turbulent world economy, may I comment on the second question.

The negotiation of international agreements is a double task. They must be negotiated with the representatives of foreign countries; they must also be negotiated with our people at home. It is all too easy to forget the second step—to make an agreement abroad and then hope to sell it at home. But selling is not negotiation.

The proposals before you have been partially negotiated with the experts of other countries after compromises on all sides, but after little public discussion. We are told that the American people should now take them as they are—without change—otherwise new international conferences must be called—which might fail.

This is in marked contrast to the procedure with respect to the Dumbarton Oaks proposals, where a conference of technical experts was followed not only by widespread public discussion but also by a second conference to be held at San Francisco next month.

It should also be noted that, even with respect to the Bretton Woods conference, the American delegates were under instructions from the President which limited the scope of their deliberations as follows:

> In formulating a definite proposal for an International Monetary Fund, both you and the other delegates will be expected to adhere to the joint statement of principles of an International Monetary Fund, announced April 21, 1944. You, as head of the delegation, are authorized, however, after consultation with the other delegates to agree to modifications which, in your opinion, are essential to the effectuation of an agreement and provided that such modifications do not fundamentally alter the principles set forth in the joint statement.
>
> You will apply the same principles in your discussions and negotiations with respect to the proposed Bank for Reconstruction and Development except that you will be governed by the principles agreed upon by the American Technical Committee.

In view of the misstatement frequently made that "44 nations" had "agreed" on the Bretton Woods plan, the precise nature of the Final Act at Bretton Woods should be noted. Lord Keynes described it as follows:

> The whole of our proceedings is ad referendum to our governments who are at the present stage in no way committed to anything . . . We do not even recommend our governments to adopt the result. We merely submit it for what it is worth to the attention of the governments and the legislators concerned.

There were also specific reservations on a number of points by representatives of various countries.

Now for the first time this program comes to the American people at the policy level.

These plans are in two packages—an International Monetary Fund and an International Bank for Reconstruction and Development. The Bank has found general acceptance both here and abroad. The Fund has met opposition both here and abroad.

The changes we suggest are of such a character—all in the interest of simplification—that we believe they would not necessarily require another conference.

But why should we dread another conference? Other conferences must be held and will be useful in learning each other's point of view. One such conference is essential before long to consider trade arrangements because trade quotas, tariffs, subsidies, export bounties, bilateral arrangements could completely defeat any program for monetary stabilization. Trade policies and monetary policies should logically be considered together.

The reasons why we are proposing a simplification of the Bretton Woods plan will be developed more fully by my associates, but I should like to review briefly today some of the major reasons.

1. Size and nature of need. Much of the testimony which has been offered here seems to me to be based on a misconception of the financial position of the world today. It has been said that much of the world is impoverished and devastated and that we face the task of putting it together again. The devastated areas, in fact, are limited to parts of a few countries, and many of the countries of the world are affluent. They have benefited from our huge war expenditures. We think of Uncle Sam as rich as Croesus but lately he has been growing poorer and other countries richer. While our gold reserves have declined to a point where we must lower our reserve percentage, other countries have been increasing theirs. Nations outside the United States now hold over 20 billions of gold and dollars. This has risen by 7 billion dollars since our government's experts began discussing international monetary plans three years ago. Other countries have gained more gold and dollars than the entire United States quota in both proposed institutions. The pressing need for loans is limited to a few areas and a few countries.

2. Assurance of soundness. Another reason for eliminating the Fund and concentrating its necessary powers in the Bank is that the Bank's loans are made on sound principles. While various safeguards have been inserted in the Fund plan it still remains true that members of the Fund have a right to borrow under certain conditions which are not difficult to fulfill. Long experience has shown that poor loans are as bad for the borrower as for the lender.

The lending policy of the Bank is much more carefully protected, both in the method of making loans and in the fact that the country whose money is used has a veto power.

The concentration of the lending power in the Bank would assure wiser and better lending policies. It would enable us to do what has to be done for less money. The 10 billion dollars capital of the Bank is more than adequate for any probable needs for some years, but it could be supplemented later if circumstances justified such action.

3. Protection of United States principles and interests. The United States has certain definite national points of view and interests. There is no provision in the Fund to avoid the use of our dollars by countries which are following policies directly contrary to ours or for purposes to which we are opposed. The Bank, however, which gives a country veto power over the use of its money, provides protection to the lender.

In addition to this defect in the Fund, there is the provision for the treatment of scarce currencies. The currency most likely to be scarce is the American dollar; on that point there is no dispute. If dollars become scarce, what will happen? It will inevitably be charged that the United States is to blame and we shall once again be branded "Uncle Shylock" unless we put up large additional sums.

4. **Economic warfare.** The proponents of Bretton Woods assert that one of its twin objectives is an end to economic warfare. Yet the Agreement attacks only the monetary weapons of that warfare—and only **partially** attacks these—namely, currency depreciation and exchange controls. As to the former, the Agreement actually stipulates that a 10% depreciation is permissible without the consent of the Fund, and the Fund must allow further depreciation if there is "fundamental disequilibrium." That is not hard to prove. As to exchange controls—they are allowed for an extended period.

But no other of the powerful weapons of economic warfare is forbidden. Tariffs can be raised or lowered. Quotas, embargoes, subsidies on production, export bounties, preferences, and bilateral agreements (outside the Fund) can ALL be used.

The Fund provides only a start in dealing with economic warfare—a start which we believe could be made more effectively through the Bank.

5. **Why one institution?** We believe that the objectives of Bretton Woods could be carried out best if there were but one international financial organization instead of two. We think the one organization could carry out the objectives more efficiently, in a more orderly way, and more economically than could two. bility with respect to long-term Since both would be making loans and promoting international trade, confusion would be almost inevitable. Dollars are what most nations will want. As the plan is set up it is easier and cheaper to get dollars out of the Fund than out of the Bank. Nations have an almost automatic call upon dollars in the Fund, while in the Bank they must prove that they have good loans. In the last analysis America has a right to veto a dollar loan by the Bank just as other nations have a veto on loans in their currencies.

We believe the Fund should be a department of the Bank. We believe the same board of directors ought to have charge of the policy of both lending operations. Why? Because otherwise a nation may be borrowing so much short-term money from the Fund that it will endanger the soundness of its long-term obligations to the Bank. An ordinary bank in this country makes short-term loans and long-term mortgage loans to the same people or buys their bonds. It knows the current financial position of its borrowers and also knows what obligations its borrowers have to meet in the years ahead.

Rules regarding international exchange restrictions, parities, and other such questions can be worked out through the stabilization department of the Bank more effectively than if such questions were relegated to an institution which had no responsibility with respect to long-term loans. Some stabilization programs will call for long-term loans.

Furthermore, we believe that the objectives set forth at Bretton Woods can be accomplished by about one-half of the commitment of the present proposals. Stabilization loans need not involve huge sums of money if well made. A country stabilizes itself by pursuing proper fiscal, business and trade policies. Going into debt through borrowing from foreigners may help for a time but a country cannot hope for permanent stabilization by borrowing alone. It must produce and save and export to get back to stability. Assuming a country wants to stabilize, loans can be helpful but they are not the primary method to attain stabilization.

Some say "What difference does it make what it costs America? We are a wealthy nation." May I call your attention to the fact that a couple of years ago all of us believed that we could feed ourselves and the world, if necessary, during this war, but in recent weeks we have been shocked by the realization that even we can run short of food—a thing we thought we had in great abundance. The President has set up a committee to control our exports and has just asked us to tighten our belts.

We can't go on lending dollars indefinitely. We have lost more than two billions of our gold during the war, while our liabilities have vastly increased. We want to do all we can within our means to help the world toward recovery. We believe we can attain the objectives of Bretton Woods at half the cost. By doing so we can help to maintain the stability and integrity of the American dollar, which is now the financial anchor for the world.

McMannus & Mackey To Admit Dorothy Mackey

McMannus & Mackey, 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Dorothy H. Mackey to limited partnership in the firm as of April 1.

Urges Support Of World Organization

Dean Virginia C. Gildersleeve of Barnard College, only American woman delegate to the San Francisco Conference, urged a gathering of Republican women on Feb. 28 not to allow party differences to divide the country in its support of the new world organization to prevent wars.

We quote from the New York "Herald Tribune" which added:

Describing herself as "a sort of irregular, independent Democrat," Miss Gildersleeve brought her congratulations to the Young Women's Republican Club at its tenth anniversary dinner at the Midston House, 22 East Thirty-eighth Street. She said she believed in the two-party system of government and wished the club success in bringing about "better and more enlightened government for us all."

Glen R. Bedenkapp, chairman of the Republican State Committee; Miss Jane Todd, vice-chairman, and Thomas J. Curran, Secretary of State, were other speakers. Mrs. Myra Grigg Diemer, president, presided.

Bretton Woods a Model of International Democratic Action

(Continued from first page)

structions that stifled world trade in the 1930's.

No nation can live in economic isolation. The United States, for example, which is probably as self-sufficient as any country, consumes at home only a part of such basic crops as tobacco and cotton. More than 50% of our cotton and 30% of our tobacco crops must be exported. A considerable part of the output of our important industries is sold abroad. Twenty-two per cent of our office machinery, 17% of our agriculture machinery, 14% of our industrial machinery and automobile production must be exported. If our foreign markets are cut off or reduced, we suffer from unemployment in our industries and a serious reduction in the income of our farmers. And it is no less true that we must buy abroad to secure important raw materials for our industries and goods for our consumers.

Economically, nations live in one world. If this country reduces its purchases abroad, unemployment occurs in other countries; and they, in turn, buy less from us. And if all countries use restrictive and discriminatory devices to limit international trade, as they did in the 1930's, the whole world feels the effect in diminished employment and lowered standards of living.

The Bretton Woods Conference was concerned with the elimination of the unfair monetary practices that were used by some countries in the 1930's. The Conference prepared a proposal for means for international cooperation through an International Monetary Fund. The Fund would set fair standards by providing for stable and orderly exchange arrangements and by requiring countries to allow payment for exports and for other current international transactions. Countries that carry out the purposes of the Fund would secure help from the Fund in maintaining these standards.

No one contends that the Fund alone can restore world trade. Other things must be done. It is important to re-establish the producing power and the consuming power of countries that have been devastated by war. Nearly one-half of the world's trade was formerly done with countries that have suffered from enemy action. A prosperous world economy requires the reconstruction of Europe and the Far East. It requires the development of countries that lack the modern means of production. Our trade has always been largest with countries with high levels of production and consumption, countries like Canada and England. Our trade will benefit from the reconstruction and development of other countries.

The International Bank would help countries to secure the foreign capital they need for productive purposes. The Bank would be concerned to see that loans it guarantees or makes are fair to the lenders and the borrower. Because all countries will benefit from the expansion of world trade resulting from reconstruction and development, all countries share in the risks of the Bank.

The Bretton Woods program is a common-sense way of dealing with two important post-war economic problems. These are urgent problems that cannot be neglected without risking serious international economic disturbances. The Bretton Woods program recognizes them as international problems and it provides for cooperation in securing orderly exchanges and productive international investment.

Calls for Immediate Action

There are people who say that we ought not do anything about stabilizing exchange rates through international cooperation at this time. They say we ought to wait because we don't know what social, economic and political conditions will be like in the next five years. I think that we cannot afford to wait, that if we do nothing we shall have political instability, social unrest and economic depression. Our task is to take the steps now through international economic cooperation to make possible reconstruction and the expansion of world trade.

Of course, the Bretton Woods program will help other countries. But international economic cooperation is much more than a matter of helping other countries. It is just as vital to our own economic well-being. All the countries at the Bretton Woods Conference were concerned with protecting their interests. The American delegation was no less concerned with protecting our interests. But this did not prevent them from working together for international cooperation. And that is the real secret of the achievement at Bretton Woods—44 countries worked together for the common good without in any way neglecting their national interests.

I think this committee will understand that the work of the Bretton Woods Conference more fully if it knows what was done before the Conference and what was done at the Conference. I believe that the work of the Conference was a model of democratic action, an inspiration to free people in all countries who believe that international problems can be solved by the method of discussion and agreement.

During the 1930's this Government was concerned with the growing disorder in international economic relations. Through our reciprocal trade and exchange stabilization agreements determined efforts were made to secure on a bilateral basis a reduction of trade discriminations and the greater stabilization of currencies. Much that was useful was done in this way by Secretary Hull and by Secretary Morgenthau. The forces that were at work in the world to intensify disorder made it impossible to do more than to limit the evils that were growing up about us. It became clear that bilateral agreements were not adequate because they were too limited in scope. What was needed was an extension and broadening of the sphere of international cooperation.

In the Fall of 1941, Secretary Morgenthau asked the Treasury staff to study the international monetary and investment problems that would be faced after the war and to suggest a practical means of dealing with these problems. As a result of this study, a memorandum was prepared recommending the establishment of an International Fund and an International Bank. In the Spring of 1942, this memorandum was presented to the President, who requested the Treasury to continue study of the problems in consultation with the Department of State, the Board of Governors of the Federal Reserve System and other interested Government departments.

A technical committee representing eight or 10 agencies was formed to work on these proposals. The membership of the technical committee was not confined exclusively to technical advisers. An Assistant Secretary of State, an Assistant Secretary of Commerce, at that time Mr. Clayton, a member of the Federal Reserve Board, and other policy-making officials met directly with the technical committee. At a higher level, a committee of Cabinet officers met from time to time with Secretary Morgenthau to review the work of the technicians and to give them further instructions in matters of policy.

In the spring of 1943 the work of the technical committee had progressed so far that a tentative proposal for an International Fund was submitted to the Cabinet committee. With the approval of the President and Secretary Hull, Mr. Morgenthau sent the tentative proposal to the finance ministers of the United Nations for study by their technical advisers. The tentative proposal was also published in the press.

There followed a period of extended bilateral discussions which lasted from June 1943, until April 1944. Some 30 countries sent their technical representatives to these discussions. On occasion, representatives of 3 or 4 countries met together, and once representatives of about 8 countries met to exchange views on the proposed International Fund.

Simultaneously, a tentative proposal for an International Bank was prepared by the technicians and in November 1943, submitted to the Cabinet committee. Again with the approval of the President and Secretary Hull, the tentative proposal was sent to the finance ministers of the United Nations and published in the press.

In the meantime, extended discussions were going on with interested groups in this country—with representatives of banking, business, agriculture and labor, with organizations interest in international problems. As a result of these public discussions, revisions of the tentative proposals were made from time to time embodying suggestions made at these meetings.

In the Spring of 1944, the technicians of various countries approved the publication of a joint statement of principles recommending the establishment of an International Monetary Fund. Considerable progress had also been made in the discussions on the International Bank although no joint statement was issued. Because there was sufficient agreement on principles to warrant a formal conference, President Roosevelt invited the 43 United Nations to an International Monetary and Financial Conference to consider the establishment of an International Monetary Fund and, if possible, an International Bank.

In preparation for the formal conference in July, 1944, a preliminary meeting was held in Atlantic City of representatives of about 15 countries. The principles were expanded and alternative provisions submitted by many countries were discussed informally. It was agreed to present all alternative proposals on the Fund and the Bank to the Conference for its decision. An agenda for the work of the Bretton Woods Conference was also prepared.

A Model of Democratic Action

I have said before that the work of the Conference was a model of democratic action. Let me illustrate. In the American delegation, the President included four Congressional delegates — the chairmen and the ranking minority members of the House and Senate Committees on Banking and Currency. In addition, the chairman and the ranking minority member of the House Committee on Coinage, Weights and Measures were included as advisers to the American delegation. It is worth noting that this was the first of the United Nations Conferences in which Congressional members were included in the American delegation.

All the work of the Conference was made available to the representatives of the press so that they and the public could be fully informed on what was done at Bretton Woods. I know of no proposal considered by the Conference that was kept from the press. Every alternative provision was available to the press in the same form in which it was submitted to the Conference. Members of the United States delegation saw the press daily as spokesmen for the Conference to discuss what the Conference had done.

The press had complete access to every member of the United States delegation and of every foreign delegation. The newspaper men who were present at the Conference, many of whom are now reporting the hearings of this committee, will testify to the thoroughness with which the Conference adhered to the policy of giving the press all the news.

The agenda committee has recommended that the Conference be organized with two commissions, one on the Fund and one on the Bank. Each commission had four committees—on purposes and policies, on operations, on organization and management, and on legal status. The Conference approved this form of organization. Secretary Morgenthau was elected President of the Conference, Mr. White chairman of the Commission on the Fund and Lord Keynes chairman of the Commission on the Bank.

The Conference in its plenary sessions was largely concerned with passing upon the articles of agreement for the Fund and the Bank which were submitted by the commissions. There were opportunities for further discussion of important matters which required the formal action of the Conference.

The detailed work of the Conference was done in the commissions and in the committees. The American delegates all served on the commissions and the committees. I had the honor of leading the American delegation of Commission I. Secretary Acheson led the American delegation on Commission II. The rest of the delegation, including Congressman Spence and Congressman Wolcott, worked with the American delegation on these two commissions.

As you gentlemen know, a conference of 44 countries with some 300 delegates must do its work in committees. The commissions and the Conference can only pass upon the more important differences of opinion, the greater issues of policies which they must decide. The work of the committees was carefully done. The eight formal committees of the two commissions each had two or three members of the American delegation.

For example, Committee II of the Fund—the Committee on operations of the Fund—had as the American delegates Mr. E. E. Brown, Chairman of the First National Bank of Chicago, Governor Eccles, of the Federal Reserve Board, and Congressman Wolcott. They had attached to them four technicians from the Treasury, the State Department, the Federal Reserve Board and the Department of Commerce. The American members of the committee met every day with their technical advisers to go over the problems that were on the agenda of the committee.

I think Congressman Wolcott can tell you how thoroughly the job was done. Every aspect of every problem was discussed at great length. Every alternative provision was given critical consideration. The arguments that were to be presented to support the American position were reviewed. The members of the committee, working on the basis of the policies adopted by the delegation, had the responsibility of carrying our program through the committees.

Problems that could not be dealt with in these standing committees were assigned by the Commissions to ad hoc committees. The position of occupied countries, dealings with non-member countries, and other questions were assigned to ad hoc committees that brought in their reports and recommendations.

In the last week of Commission I, and later of Commission II, a special committee was appointed to bring in recommendations on all unsettled questions and a drafting committee was appointed to put into final form the provisions adopted by the Commission. I acted as chairman of the special committee of Commission I and I can tell you that on these last troublesome points we sustained the views of the American delegation. Dean Acheson, who was chairman of the drafting committee of Commission II, can tell you of the care with which each provision was drafted after it had been passed upon by the Commission.

The Work of the U. S. Delegation

You will want to know particularly how the American delegation worked. The delegation met in Washington on a number of occasions before the Conference. At the Conference, the delegation met every day and on some occasions two and three times a day, if an important issue required further consideration. There was unlimited opportunity for every member of the delegation to express his views on every issue at all times.

I want you to see how this delegation worked. Every important question was brought to the delegation for discussion and it was discussed in the fullest possible way. Let me give you one instance. When committee II of Commission II considered the limit on aggregate guarantees and loans of the Bank, there were great differences of opinion among countries. The Norwegian delegation wanted aggregate loans and guarantees of six times the subscribed capital of the Bank. The Netherlands delegation wanted guarantees and loans of only 80% of the subscribed capital. And between these extremes there were many other countries with differing views.

Within the American delegation there were a number of opinions on this question. Some delegates believed that the Bank could safely undertake loans and guarantees amounting to three times its capital. A large number of delegates believed that loans and guarantees should be limited to one and one-half times the capital of the Bank. And perhaps the largest number felt that the loans and guarantees of the Bank should be limited to the amount of the capital. We discussed the question in the delegation for at least two days. Nobody doubted that the Bank could safely undertake larger obligations on the basis of its capital. But we were determined that every doubt should be resolved in favor of conservatism, and the delegation agreed to limit the loans and guarantees of the Bank to the amount of unimpaired capital, surplus and reserves. And that is the view that was carried at the Conference.

I could cite a number of other instances in which the American delegation considered the questions before the Conference. Always there was the fullest discussion. Always there was the greatest attention to the views of the Congressional members of the delegation. And always there was unanimous agreement on every major issue. The American delegation worked as a team—the way Americans should work on international questions — without any question of partisanship.

You know that in every Conference there are bound to be differences of opinion and these differences must be reconciled. There can be no benefits to anybody from a prolonged and bitter debate between the United States, England, Russia, China, France, and the other countries on issues that could be settled by discussion and negotiation.

U. S. Delegation Took the Lead

The United States delegation took the lead in ironing out these problems that were troubling some countries. The delegation appointed a steering committee, of which I was chairman, and that committee included Congressman Wolcott, Mr. Acheson and Mr. White. Congressman Wolcott and I were delegated as a subcommittee of two to settle some of the troublesome issues, acting for the steering committee within the framework of our instructions from the whole delegation.

That is the way the delegation worked. Our point of view was agreed and agreed unanimously only after the fullest discussion. No views were more eagerly sought than those of the Congressional delegates. And I recall clearly that in presenting the attitude of Congress, no one was more forceful or more helpful than the chairman of this committee, Congressman Spence.

One of the most encouraging features of the Bretton Woods Conference was the fine spirit with which countries worked together. We had a number of problems on any of which irreconcilable differences might have developed. This did not happen because all countries showed a willingness to accommodate themselves to the general views of the Conference.

Let me illustrate. The question of quotas was one of these difficult problems. The American delegation discussed and approved a tentative list of quotas for the Fund. These quotas were discussed informally with each country to get its views. Finally, the quota committee, of which I was chairman, submitted a recommendation on quotas which was approved by the Commission. There were some countries that were not satisfied with their quotas, but the Conference sustained the report of the quota committee as generally fair to all alike.

Most requests for larger quotas were a reflection of the desire of the countries to maintain their prestige. Several countries were particularly interested in securing large enough quotas to give them or their region representation on the Executive Directors. That was true of the American Republics who wanted two directors and it was true of the Netherlands and Belgium who wanted one director between them. There were only a few cases in which countries wanted larger quotas because they believed it would give them greater opportunity to use the resources of the Fund.

The problems of subscriptions to the Bank was a little more complicated. We had expected that aggregate subscriptions to the Bank would be about $9 billion, reserving $1 billion for other countries. We realized that it would be necessary to revise downward the subscriptions for some countries in the Bank as compared to their quotas in the Fund. This was a simple reflection of the fact that many of the Latin American Republics and some other countries could not undertake to be guarantors of international loans to the extent of their participation in the Fund. And our delegation approved a subscription of $3 billion to $3¼ billion for the United States to keep the total subscribed capital at $9 billion.

When the Soviet delegation reported that the Soviet Union had such large reconstruction problems of its own that it could not subscribe more than $900 million to the capital of the Bank, we accepted their view. Under the circumstances, the subscribed capital of the Bank had to be the same as the Fund, that is $8.8 billion. On that basis our subscription was fixed at $3.175 billion. When on the last day of the Conference the Soviet delegation informed us of the instructions they had from their Government to increase the subscription of the Soviet union, the American delegation met to consider this question. We agreed that it would now be possible to raise the subscribed capital of the Bank to as much as had been originally intended, that is $9 billion. It was also agreed that it would be better at this stage to let the Soviet subscription increase the aggregate subscribed capital to $9.1 billion. Acting for the American delegation at the plenary session, I introduced the resolution to reopen the subscriptions to the Bank and to give the Soviet Union the opportunity to increase its subscription from $900 million to $1200 million.

This is one dramatic instance that reveals the harmony and the spirit of cooperation that was manifested throughout the Conference. This is one of the many reasons why I feel that the Bretton Woods Conference is an inspiration to free people in all countries who believe in the democratic process of discussion and agreement, who believe that international problems can be dealt with through international cooperation.

The Monetary Fund and the International Bank represent our first efforts in the field of international economic cooperation. If we believe in economic cooperation we must not allow them to fail. If we cannot agree on such modest efforts as these, other nations will have little faith in our will to cooperate at all.

No country in the modern world can live in peace and prosperity in economic isolation. Without economic peace there can be no political peace. Economic isolationism is as dangerous to world peace as political isolationism. Indeed without economic cooperation among the nations there is little hope of lasting political cooperation. Nations which cannot work together to provide for order and stability in their economic relations are not likely to be good guardians of the peace.

I hope our Congress, the first legislative body to pass upon the Bretton Woods Agreements, will show other countries that we believe that international problems can be dealt with through international cooperation.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of A. O. Van Suetendael to Edward G. Platt will be considered by the Exchange on March 29. It is understood that Mr. Platt will act as an individual floor broker.

Transfer of the Exchange membership of the late Marius A. Charavay to George F. Robb will be considered on March 29. Mr. Robb will continue as a partner in Stevens & Legg.

Privilege of Joseph A. Martin, Jr., to act as alternate on the floor of the Exchange for H. Van Brunt McKeever, of Goodbody & Co., was withdrawn on March 19.

Privilege of Alfred I. Preston to act as alternate for Ormsby M. Mitchel, Jr., of Mitchel, Whitmer, Watts & Co., will be withdrawn on March 31.

John J. Boyd retired from partnership in Shearson, Hammill & Co. on March 12.

Inquiry Into Stock Market and SEC Sought By Rep. Marcantonio

Representative Vito Marcantonio, American Labor Party, of New York, said on March 14 he was preparing a resolution seeking a Congressional inquiry into current stock market activity and Securities and Exchange Commission controls; in indicating this Associated Press advices from Washington on March 14 added:

His resolution, he told a reporter, would authorize inquiry into the role played by the S. E. C. in preventing inflationary market trends.

Pittsburgh Bond Club Annual Meeting Today

PITTSBURGH, PA.—The Bond Club of Pittsburgh is holding its annual meeting today at the William Penn Hotel, in the Cardinal Room, at 6:30 p.m.

The nominating committee has presented the following slate:

President: Robert C. Schmertz, Phillips, Schmertz & Co.

Vice-President: S. W. Steinecke, S. K. Cunningham & Co.

Secretary: Albert J. Metzmaier, Jr., Union Trust Co.

Treasurer: Bernard C. Kelley, Halsey, Stuart & Co.

Board of Governors: G. Clifford Bodell, Young & Co., Inc., for one-year term; J. Ray Baldridge, Moore, Leonard & Lynch, and Frank T. Sturek, Union Trust Co., for two-year terms.

Farr & Co. To Admit

John Farr will become a partner in Farr & Co., 120 Wall Street, New York City, members of the New York Stock Exchange, on April 1.

Railroad Securities

Southern Pacific common has been rather laggard in recent markets and many rail men are again disposed to look upon it as one of the most attractive rail equities in the group below investment caliber. The stock has now been established on a regular $3 annual dividend basis and certainly at least so long as the Pacific war lasts this rate should be well covered by earnings. In 1944 the company, despite its heavy tax burden, reported earnings of close to $10 per share and 1945 results should not be far from this figure. In fact if the road takes advantage of the tax benefits possible from redemption of premium bonds the earnings may be even higher in 1945 than in 1944. The dividend of $3 a share affords a return of 7.14% on the recent market price of 42.

Southern Pacific was fairly early to start on a program of debt reduction, stimulated by the pressing necessity for eliminating the substantial near term maturities. To all intents and purposes the maturity problems may no longer be considered as cause for apprehension. In the process of eliminating these maturities fixed charges have also been reduced substantially. They now stand at around $23,000,000 compared with over $31,500,000 ten years ago.

As net current assets at the 1944 year-end were in excess of $80,000,000 and the company showed investments in other than affiliated companies of more than $25,000,000 (mainly represented by Government bonds), there is little question but that there will be a further reduction in debt and charges in the current year. In fact, it is generally expected that a start will be made in the near future towards reduction, through call for partial redemption, of the largest remaining system bond issue, the Southern Pacific first refunding 4s, 1955. A reduction in charges to between $20,000,000 and $21,000,000 before the war boom is over certainly does not appear as too optimistic an expectation. Such a reduction would represent an aggregate saving equivalent to almost $3 a share on the stock, before adjustment for Federal income taxes.

Even without any further reduction in fixed charges, and after allowing for the new charge for depreciation of way and structures, it is indicated that the road could earn close to $7 a share after taxes on the basis of a return to 1941 operating conditions. There is fairly general agreement among economists and railroad analysts that for some years after the war railroad traffic and revenues will hold at least to the 1941 levels, and perhaps higher. This is based on the huge backlog of demand there has been built up for civilian goods, the large amount of savings with which to purchase these goods, and the necessity for moving freight to feed and rehabilitate the war ravished sections of the world.

Aside from the general considerations affecting the general railroad outlook, and the improvement in Southern Pacific's status due to reduction in debt and charges, railroad men point with enthusiasm to the territorial advantages enjoyed by the road. Even before the war exerted its distorting influence on our transportation plant, Southern Pacific was showing a better-than-average trend of revenues. It is the dominant railroad in California and California over a period of years has been experiencing a population growth way out of line with that of the rest of the country. This has also been true of other states of the Southwest where the company operates. Along with the population growth there has been a trend away from strictly agricultural and mining pursuits to industrial activity.

The industrialization of the western sections of the country has been stimulated by the war demands on our entire manufacturing plant. Some of this most recent growth is admittedly of a temporary nature and will presumably be abandoned after the war stress is over. A large part, however, is of a permanent nature and will remain as a long-term accretion to the general economy of Southern Pacific's service area. The new steel industry and aircraft manufacturing are particular cases in point. Thus, the outlook is promising for a continuation of Southern Pacific's favorable trend after the war. Rail analysts believe that this factor has not as yet been reflected in the market for the stock.

Moore, Leonard & Lynch To Admit Two Partners

PITTSBURGH, PA. — Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, will admit Thomas Lynch III and James Jewett Turner Wells to partnership in the firm as of today.

Mr. Lynch's admission to the firm was previously reported in the "Financial Chronicle" of March 15.

The Battle of Bretton Woods

(Continued from page 1259)

every kind. When World War I ended, you were three years old. You personally remember nothing of the international cooperation that followed the big Armistice. You probably have never heard of the billions this country lent abroad in the 1920's, or of the defaults which followed that lending.

As the typical American, you live in Indiana, 550 miles from Washington; and Bretton Woods, New Hampshire, is about 900 miles away from you. So you may feel that you do not know as much as you ought to know about the Bretton Woods Agreements, which the newspapers and radio have been mentioning so much, all of a sudden.

The Agreements

In this short broadcast, I can tell you only a little about those Agreements, which fill nearly 100 pages with legal and financial phraseology. Even in moneywise London experts are arguing heatedly about the meaning of Bretton Woods; warning their own people and us that it is foolhardy to hurry into a plan, the leading members of which have diametrically different interpretations of what it means.

The ancestors of the Bretton Woods program were drawn up by "technicians" in the U. S. Treasury and by Lord Keynes and his staff in London. At various times technicians of other governments were consulted; at first only informally, later more formally. In the end, the experts' program for monetary and financial stabilization was publicly unveiled in London and Washington. To consider that program—but only that program—the United States Government last summer convoked at Bretton Woods a full-dress intergovernmental conference of forty-four United and Associated Nations. That conference was not at the technicians' level, but at the political level; and political forces distorted somewhat the carefully measured scheme of the experts.

While the Bretton Woods Agreements reflect the wishes of militarily important countries, basically they constitute a marriage of the original, and in important respects, incompatible British and American plans.

The Proceedings

At Bretton Woods, as I have mentioned, there were forty-four national delegations. All were heard; but actually, a few big governments dominated the proceedings. There was our own large delegation, headed by Secretary of the Treasury Morgenthau. There was the British delegation under Lord Keynes. And there were the Chinese, who padded their already unnecessarily large contingent with a miscellaneous personnel because of the prestige which they imagined mere numbers would give.

Also, there were many small delegations. Guatemala's, for example, consisted of only a single university student; Guatemala's lonely technician. I recall that one of the busy Russian delegates commented a bit enviously that delegates of the smaller countries could enjoy their holiday at Bretton Woods, swimming in the outdoor pool, and playing golf and tennis, while the big countries worked.

Just what is a Bretton Woods technician? He is an official who buys and sells foreign currency for his Treasury; a man who can pick up the overseas phone and lend a few million dollars to stabilize some troubled currency abroad. The Civil Service rolls probably call him an economist. He is most likely a former college professor. He may or may not have a passion for anonymity, but a passion he certainly possesses; for his is the power and the glory—and the salary, incidentally, is not at all bad compared with what the university used to pay.

The Bretton Woods conference agreed to submit to the governments, although without any recommendation, the two Agreements, one for an International Monetary Fund; the other for an International Bank for Reconstruction and Development. That is the program which is now being highpressured in Congress and throughout the country.

The Fund would make loans to its members for currency stabilization; short-term loans presumably, but not solely.

The Bank would make or guarantee long-term loans, maturing sometime around 1980.

If the monetary unit of China, for example, showed weakness, that country, as a member of the Fund, could apply to the Fund for relief. If Russia wanted to build a dam, or Mexico a highway, they would presumably receive long-term assistance.

In the Fund and the Bank, at the start, the principal assets would be the dollars which the United States would pay in. Our total commitments would be about

$6,000,000,000; although the Fund and Bank both would be enabled by the terms of the Agreements to apply to us for more dollars later. Our **legal** commitment would approximate $6,000,000,000. Our **moral** commitment, as the prime authors of the plan and as the too anxious hosts at Bretton Woods, no one can measure.

The Administration's Arguments

The Administration is very proud and extremely earnest about the plan. Many able spokesmen have been working both days and nights to get the plan adopted. They say Bretton Woods is the first test of our willingness to cooperate for an enduring peace.

Indeed we are told lasting peace is not possible at all without this Fund and this Bank; that Congress must approve Bretton Woods before the San Francisco International Conference meets next month; or at the very least, before the San Francisco meeting is concluded.

Secretary Morganthau has frankly undertaken to "sell" the program to the Nation. And by "selling," he doesn't mean any half-way publicity measures. He has employed a publicity man, solely to promote Bretton Woods.

For months there have been articles by advocates of the Fund and Bank in all sorts of public and private publications. Thousands of reprints of these articles have been distributed.

Columnists and radio commentators have taken lunch with the Treasury's Secretary, with Bretton Woods served for desert. The movies have not been overlooked. Government speakers have been dispatched to all parts of the country to address any group willing to listen. On one recent occasion, the mountain was brought to Mohammed, when 106 pressure groups were invited to send representatives to an all-day lecture course in Washington.

The Opponents of the Plan

You may wonder, has this program any opponents. For a long time there were not, but now you can hear them get up an argument on Bretton Woods at the drop of a hat.

The most conspicuous skeptics are bankers. This isn't so hard to understand, because bankers cannot get used to the idea of a lending institution in which our dollars are lent by a board of directors on which the borrowers with bad debt records themselves sit. Also, many bankers—and others too—object to the Fund since, as they see it, the borrowers would have an automatic right under very flexible safeguards to borrow within more or less arbitrary quotas. When bankers are against something, it is popular here to argue that **that** something must be good. Somewhat like the Jews in Hitler-Germany, the bankers are a handy whipping boy here. And do not think that the advocates of Bretton Woods don't know it.

Because foreign exchange and investment is something which certain bankers know better than any other group of taxpayers, the two reports issued by various bankers' committees last month deserve examination on their merits. The authors of those reports, it may be noted in passing, while criticising the proposed Fund, endorse the Bretton Woods Bank. And they also endorse other lending proposals of the Administration.

Unfortunately, high Treasury officials have taken the eye off the ball by questioning the motives of bankers and others who oppose the Bretton Woods Fund. They state or imply that such opponents are a small and unrepresentative group of Wall Street international bankers who seek, if not profits from speculating in exchange, then power.

When the American Bankers Association has to decide a problem involving savings banks, they naturally appoint a committee of savings bankers to make a study and report. So with Bretton Woods; the bankers naturally appointed committees of members familiar with international exchange. Those committees contained bankers from all parts of the country. Only nine of the forty-two A.B.A. committee members were New York bankers.

So I repeat; what those committees had to say about Bretton Woods should be examined dispassionately and not elbowed aside with appeals to emotion, such as we have been hearing. Believe it or not, Bretton Woods supporters have searched as far back as 1913 to support their statement that bankers are blind and unprogressive when they do not support the Bretton Woods program; progressive when they do it. They tell us that bankers opposed the Federal Reserve Act; that they opposed Federal Deposit Insurance. Well, if the bankers' association or its committee did oppose deposit insurance, so did Senator Carter Glass; and so did Franklin D. Roosevelt.

The bankers did not poll the nation's 15,000 banks before making their Bretton Woods report. At the same time other organizations have come out for Bretton Woods without having polled their memberships.

The Outstanding Points of Program

You can see that the Bretton Woods debate in Washington is getting derailed. The country is interested in the meaning of Bretton Woods and not in motives and personalities, which only confuse the issue.

Here are the outstanding points about the Bretton Woods program:

(1) Both the Fund and the Bank would lend American dollars abroad; would stimulate foreign purchases of our goods with our money. By lending dollars, the Fund aims to eliminate so-called "currency wars". It seeks international trade balanced at a high level; not by Bulgaria's accepting payment for its exports in the form of harmonicas and aspirin, but by the United States, the world's banker, either taking the harmonicas and aspirin, or else not getting paid in full.

(2) The Fund and Bank would stimulate our exports; would make jobs here. They would contribute toward the so-long-sought goal of full employment in the years just ahead.

(3) The Bretton Woods bill would, for most countries, repeal our Johnson Act of 1934, the Act prohibiting foreign governments not up-to-date on their debts to our Treasury from borrowing more money in Wall Street. This repeal would make possible the outflow abroad of billions of American private capital, for investment in new foreign bonds.

Such an outflow of money eventually would far exceed the $6,000,000,000 to which, under the bill, our Government would be committed.

The Real Objectives

(4) Viewed in perspective, the Fund and Bank are only a small part of a much vaster plan to lend and lend-lease abroad. The Export-Import Bank is certain to be expanded severalfold. And private businesses are being urged to extend credits and invest abroad and so to make exports and jobs for workers. The Undersecretary of Commerce has made the incredible observation that we can go on making "well-conceived" foreign investments indefinitely—something like Tennyson's brook — without ever bringing repayment home.

Postwar lend-lease commitments totalling a rumored $20,000,000,000 and on thirty-year repayment terms, are under consideration, and the first such loan, to France, has actually been announced; with a clause providing for practical cancellation if repayment becomes inconvenient.

(5) These enormous Government export plans, which in most respects are unopposed if not actually endorsed by leading agricultural, labor, manufacturing and banking organizations, constitute an unthought-through plan for trying to make prosperity. Unless our tariffs are materially reduced, there will not be the remotest chance that we can recover all we put into this great lend-and-export boom.

Such a dreamer's program of making jobs will cover up the basic economic problem of postwar America and the postwar world. For a few years it may give us the semblance of prosperity. But, if the outside debtor-world this time makes a real effort to repay the loans, there will still be the insuperable obstacle of America's tariff policy.

For example, if we lend China the additional billions which some Chinese leaders want for that country's industrialization, and, if thereby China's coolie labor is enabled to lay electric light bulbs, vacuum cleaners, sheets, bicycles, radios and whatnot behind our tariff walls, shall we welcome that development? Will our labor leaders who are now supporting the idea of big foreign loans, and our manufacturers close down gracefully?

Not on your life. They will even object to Chinese cheap-labor competition in our export markets.

This tremendous lend-and-export program is not a plan. It is a half-plan which, a writer in the February issue of Harper's Magazine strikingly argues, "can only lead us to World War III; rather than to the promised peace."

Perhaps there is no satisfactory solution. Maybe there is no **easy** escape from the painful readjustment from the exertions of global war to peaceful employment. If Bretton Woods loans would help us make five or six million jobs for Americans, we need to find out at what cost to us in depleted natural resources. And we need to know something about the lend-lease and other plans for distributing our taxpayers' dollars, your dollars, through political bodies in exchange for foreign I.O.U.'s with escape clauses.

Even Dr. Harry White, Assistant Secretary of the Treasury, before he joined the Government service, stated: "The assumption that capital exports benefit both the lending country and the world at large is not unassailable . . . capital exports are not always beneficial to the exporting country. . . ."*

It looks like this whole proposition should be carefully thought through, lest it fall through.

*Harry D. White, The French International Accounts 1880-1913; Harvard Economic Studies; Cambridge, 1933, page 311.

Oppose Selling Government-Held Surplus On "As Is, Where Is" Basis

A Senate small-business subcommittee on March 13 called for abandonment of the policy of selling Government-held surplus consumers' goods on an "as is, where is" basis. According to the Associated Press, the report, submitted by Chairman Tom Stewart (Dem.-Tenn.), declared the practice, inaugurated by the Treasury Department, had worked to the detriment of small business men and to the advantage of speculators. The report also stated:

"The broad channels of normal trade numerically dominated by small business were not used to the fullest extent to move goods rapidly to the consumer," the report said. "This was true because goods frequently were disposed of in large lots which could not be absorbed by small business, even in the wholesale trade. The methods of advertising and notification of sales were not adequate to properly inform small business of available surpluses."

The press advices further said:

To facilitate disposal of goods in short supply, the Committee recommended sale of goods in lots small enough for small business men to handle; widespread advertising of sales; broader use of samples; delivery of goods as advertised; refunds to unsatisfied purchasers; extension of normal trade credit and "establishment of a reasonably uniform pricing method with the use of fixed prices adjusted to the various distributive levels in many instances.

Business Man's Bookshelf

Bretton Woods Agreements, The—Economic Consequences of Mr. Keynes—V. O. Watts, in "The Economic Sentinel"—Los Angeles Chamber of Commerce, 1151 South Broadway, Los Angeles 14, Calif.—paper.

Louisville Industrial Foundation, The—A Study in Community Capitalization of Local Industries—Ernest J. Hopkins—Federal Reserve Bank of Atlanta, Ga.—paper.

Railroad Social Insurance—Favored Treatment versus Uniform Social Insurance—Rainard B. Robbins — American Enterprise Association, Inc., 4 East 41st St., New York 17, N. Y., and 1409 L Street, N. W., Washington 5, D. C.—paper—50c.

Granger a Director

Jeffrey S. Granger, of Sulzbacher, Granger & Co., 111 Broadway, New York, has been elected a director of Sentinel Radio Corporation of Evanston, Ill.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

There has recently been published a helpful and comprehensive book of about 150 pages, which should be welcomed by all serious students of bank stocks, whether they be security analysts, bank stock dealers, bankers or investors. Its title is "The Banking Industry and the Position of Bank Stocks from the Viewpoint of the Investor," and the author is *Warren C. Heidel. According to its "Foreword" it was developed from a thesis written in partial fulfillment of the requirements of the Graduate School of Banking conducted by the American Bankers Association at Rutgers University.

The book is divided into 13 chapters, is well fortified with tables and charts, and includes an interesting bibliography. Chapter titles are as follows: I The Nature of the Banking Business; II Determinants of Bank Profits; III Sources of Revenue for Banks; IV Expenses of Banks; V Recoveries, Profits, Losses and Charge-Offs; VI Characteristics of Bank Stocks; VII Changes in the Money Market, March 4, 1933 to Date, Particularly as They Affected the Banks; VIII Other Events of the Period, March 4, 1933 to the Present Time Which Affected the Banks and Their Stockholders; IX Effects Upon the Banks of the Changes Which Took Place Between March 4, 1933 and Early 1944; X Factors to be Considered in the Comparative Analysis of Bank Stocks; XI Comparative Analysis of Bank Stocks; XII A Look Into the Future; XIII Conclusion.

In the first chapter, such fundamental and elementary matters as stockholder's equity, earning assets, and leverage are simply presented and illustrated with clear examples. The importance of the maturity schedule of a bank's portfolio of Government securities to its earnings is discussed as well as other factors that are among the major determinants of bank earnings. The author states that "The main sources of revenue of banks are in this order: (A) Interest and dividends on securities; (B) Interest and dividends on loans. Other sources—principally Trust Departments — produce a fair amount of gross in some banks, but the net is a small factor."

It will be noted that "interest and dividends on securities" are put in first place as a source of revenue. This is certainly true for today, but it was not so only a few years ago. The change has come about by reason of the extraordinarily large amount of Governments now held by the banks as a result of an extended program of "deficit financing," not only during the war, but in the several years of "New Deal" financing which preceded the war. On this point it is of interest to cite from an arlier book on bank stocks, written in 1935 by F. L. Garcia, former statistician for Hoit, Rose and Troster, New York, and entitled "How to Analyze a Bank Statement." In discussing "Loans and Discounts," Garcia points out on page 26, that these are normally the largest of a commercial bank's earning assets and usually the most profitable.

In a chapter devoted to the characteristics of bank stocks the author makes the following interesting statements: (1). "The stocks of at least 23 American banks have sufficient marketability for average investment purposes." (2) "New York City bank stock prices, in the past 12 years, have fluctuated in almost as wide a range as have the Dow-Jones Industrial Averages." (3) "Bank stocks are currently selling in an historically low range in relation to Book Value." (4) "They are selling at historically low dollar prices." (5) "They are selling on historically high yield basis in relation to high grade bonds."

Three of the chapters deal with such basic monetary matters as inflation of the credit base, open market activities, inflow of gold, Federal Reserve policies, etc., as well as such legislation as the Banking Acts of 1933 and 1935, the Gold Reserve Act, Securities Exchange Act, and others. The effect upon the banks of this legislation and of various regulative actions is discussed.

Chapters X and XI should prove of particular interest to those who delight in analyzing the banks' statements and operating reports, for all the essential factors and ratios are quite adequately explained, and the relative significance of each pointed out. An excellent set of forms for setting up comparative analysis is presented.

In a particularly significant chapter the author attempts to look into the future, and his look indicates that deposits will continue to increase, during and after the war; that commercial banks will have to absorb Government obligations which are now owned by individuals and corporations; that there will be a great movement of deposits from some sections of the country to others; that money rates are apt to remain stable, and that there is likely to be an increase in the demand for loans.

In his final chapter, entitled "Conclusion," the author refers to the banking industry as presenting a unique situation for consideration by the investor, and closes his thesis as follows: "Never before in history has it been possible, to the writer's knowledge, to participate in an equity which will be only very slightly affected by general business conditions — the main determinant of whose potentialities is the volume of investments, which is controlled by the necessary deficit financing of Government."

*With Putnam & Co., Investment Bankers, Hartford, Connecticut.

Some Problems of Reconversion

(Continued from page 1264)

the world and would destroy the effectiveness of the schemes for world peace and world economic collaboration. Quoting from the "Herald Tribune" statement, Mr. Bowles contended that "considering all the resources at America's command, a half-hearted attack on these problems would appear ludicrous to the rest of the world." Failing to attain effective results in the transition period, this country, he added, could very easily slip into a form of belligerent nationalism, inconsistent with its professed tolerance for other nations, while the remainder of the world would probably go collectivist, he asserted.

Though making the reconversion problem a world issue, Mr. Bowles called attention to the domestic difficult of reemploying 15,000,000 of returning veterans when many plants will be undergoing reconversion; when large surpluses of materials will be thrown on the market, and when shortage of civilian supplies will increase the inflation pressure. He expressed the belief, however, that because of our large resources and the flexibility of our economy, these problems could be successfully met, provided there was courageous cooperation of private business with the Government. He warns against a frightened attitude of business men when viewing the conditions facing them in the transition period.

According to the 'Herald-Tribune" report, in discussing the matter of post-war inflation, "Mr. Bowles asked his listeners to remember that 45% of the rise in prices incident to the World War had occurred after the Armistice, when there was a scramble for inventories of scarce commodities. He predicted that a similar scramble would ensue after the present war, which could be mitigated only by achieving the fullest possible employment in the shortest possible time and by the maintenance of price control until evidences of inflation have disappeared."

The problem of reconversion as a whole Mr. Bowles, pointed out, will be far more serious than after the last war, because more than one-half of our industry is now engaged in war production, against only 25% in the last war.

According to the "Herald-Tribune's" correspondent's account, Mr. Bowles, while admitting that the American public was tired of Government controls and regulations expressed the opinion that price controls and production regulations will be required for a period after the war, and, in answer to an inquiry, he stated that there were already "blueprints" of the OPA plans, but that the policies had changed from several months ago. He declined to say in what respect these policies have been changed, and whether it was planned to maintain prices in the post-war period as near to prewar levels as possible.

Speaking before the New York Credit Mens' Association on the same subject as Mr. Bowles, Mr Leo Cherne, Executive Secretary of the Research Institute, expressed similar views, regarding the outlook for the transition period from war to peace. He warned of the dangers that may arise from a sudden termination of Government war contracts and urged that steps be taken to bring about the earliest reconversion "consistent with actual military needs." He emphasized that "cut backs" should be gradual. He viewed the inflationary menace as serious in the immediate post-war and transition period, because of the critical shortage of civilian goods and the swollen incomes of the workers. He expressed opposition to the "work or fight" bills, saying they are unnecessary and predicted that in order to maintain or raise wage levels, workers will use the weapon of the strike in the post-war period.

Laclede Gas Light Co. Bonds and Common Stock Offered Publicly

Common stock and first mortgage bonds of Laclede Gas Light Co. were offered publicly March 21 by two groups of underwriters. One headed by Lehman Bros., Goldman, Sachs & Co. and The First Boston Corp. offered 2,165,296 common shares (par $4) at $5 per share. The other, headed by Halsey, Stuart & Co., Inc., offered $19,000,000 first mortgage 3½% bonds, series due 1965, at 102¼% and accrued interest from Feb. 1, 1945.

Associated with Halsey, Stuart in the bond offering are: A. C. Allyn & Co., Inc.; Blair & Co., Inc.; Central Republic Co.; Coffin & Burr, Inc.; Hallgarten & Co.; Hornblower & Weeks; Merrill Lynch, Pierce, Fenner & Beane; Otis & Co., Inc.; Paine, Webber, Jackson & Curtis; L. F. Rothschild & Co.; Schoelkopf, Hutton & Pomeroy, Inc.; Spencer Trask & Co.; Wertheim & Co.; Equitable Securities Corp.; Graham, Parsons & Co.; Hayden, Stone & Co.; The Milwaukee Co.; E. M. Newton & Co.; H. M. Payson & Co.; Ballou, Adams & Co., Inc.; The Bankers Bond Co.; Bioren & Co.; Cohu & Torrey; Hirsch & Co.; Edward D. Jones & Co.; Laird, Bissel & Meeds; Metropolitan St. Louis Co.; Newhard, Cook & Co.; F. L. Putnam & Co., Inc.; Reinholdt & Gardner; Schwabacher & Co.; I. M. Simon & Co.; Stix & Co.; Walter Stokes & Co.; and Woodard-Elwood & Co.

Additional members of the group offering the common stock are: Eastman, Dillon & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Stone & Webster and Blodget, Inc.; Laurence M. Marks & Co.; Lee Higginson Corp.; Burr & Co., Inc.; J. S. Bache & Co.; Baker, Weeks & Harden; Ball, Burge & Kraus; J. C. Bradford & Co.; Richard W. Clarke & Co.; Julien Collins & Co.; Courts & Co.; A. G. Edwards & Sons; Farwell, Chapman & Co.; Hamlin & Lunt; W. L. Lyons & Co.; Maxwell, Marshall & Co.; E. W. & R. C. Miller & Co.; Mullaney, Ross & Co.; Piper, Jaffray & Hopwood; Prescott & Co.; Wm. C. Roney & Co.; and Stifel, Nicolaus & Co., Inc.

The bonds were awarded at competitive bidding at 100.52 and the stock was purchased from Ogden Corp. at $4.44 per share.

In Time of War Prepare for Peace

(Continued from first page)

gan: "In time of war prepare for peace."

Our Nation and all the United Nations are engaged now in the greatest war in all history. I think it is true beyond question that none of those United Nations desired this war, and it is equally true that none of them were prepared for it. In spite of the obvious preparation of the Nazis in Germany and the War Lords in Japan for an aggressive war toward which they were looking, the peace-loving nations were so anxious to avoid war that they were unwilling to gird themselves by suitable preparation either to avoid it or to defend themselves when it should come. This is certainly true of the United States and of Great Britain, and of Russia, and of China, and it is equally true of the victims of aggression located nearest the seat of danger.

All of our national energies and all of the cooperated energies of the United Nations are now concentrated on the winning of this war and the defeat of the brutal aggression which has accompanied it at the earliest possible date and in the completest manner. It would be stupid to consider any other program at present except the total defeat and the total surrender of the Nazis and the Japanese and all that they represent, both in theory and in practice.

There is no alternative that any sensible or patriotic American can contemplate.

However, the necessity for the earliest and most complete victory over our enemies should not be allowed to blind us to the obligation which confronts us as a nation and as a world to bring out of this war the organized processes by which a similar cathastrophe may be avoided in the future.

It would be futile to occupy your time and mine in recounting our mistakes in this regard in past years unless we may profit by them. It has always seemed strange to me that in this Christian world and this Christian era of man's history mankind could not organize for peace as well as for war. Indeed, organize for peace instead of war; and if we have not learned our lesson by our present experiences, it would be difficult to understand what sort of disaster might overcome the people of the world that would teach them that the world should organize for peace instead of war. The attempt to do this in various parts of the world and in various stages of human history I need not now attempt to recount. The most notable effort previous to the present program occurred, a quarter of a century ago. That effort failed. It failed in this country because, unfortunately, the issue became involved in partisan politics. I say this without impugning the motives of anybody or questioning their sincerity. Nevertheless, it did happen.

World Organization Above Party Politics

Fortunately, we have sought, and thus far succeeded, to lift the proposal for world organization for peace above the petty considerations of partisan politics, and we have sought to elevate it to the high level of consideration which embraces all political faiths, all colors, all creeds, and all nationalities.

This has been the spirit in which the Dumbarton Oaks proposals were conceived and carried out. Under the leadership of Secretary of State Cordell Hull, Democrats and Republicans in equal number were constantly in conference in a solemn effort to work out a program which would not only meet the approval of the American people, but which would also find support among all the United Nations and would be effective in accomplishing the purpose for which it was intended.

Following these preliminary conferences and efforts, running through a period of more than a year, the Dumbarton Oaks conference was initiated, and the results of that conference have been made public.

It was impossible in these preliminary stages to have all of the United Nations represented at that conference. It was obvious then and is obvious now that certain great and powerful nations upon which rests the responsibility of defeating the Nazi program would have to assume responsibility of first proposing a world organization that would avoid another similar infliction upon mankind. The Dumbarton Oaks conference for six weeks labored in the spirit of solemn responsibility and in a desire to produce a program that would save humanity from another war. I feel that all those who participated in it, without regard to politics or nationality, are entitled to the commendation and the thanks of all lovers of peace for producing a formula around which it may be possible for all the United Nations and, ultimately, the whole world to rally.

Formula of World Organization Not Perfect

This formula was not perfect and cannot be expected to be perfect when it is submitted to the San Francisco Conference, or when it emerges from that conference. No human document that ever formed the basis for cooperative action among peoples or nations was a perfect document. The Constitution of the United States, under which we have lived for a hundred and fifty years and have grown into one of the greatest nations in all history, was not a perfect document. The first Congress that met after its ratification submitted twelve amendments to the States. Ten of them were adopted and are now known as the Bill of Rights of the American people. Altogether we have amended that document some twenty-one times, and we may amend it in the future as conditions and circumstances require, for, as Jefferson said, "No live generation is compelled to be bound by a dead generation." This is not only true in government, but in science, religion, education and economic development of a people.

It is a tribute to the unselfish desire of all the nations involved to hand down to future generations a program that will preserve them from war and economic chaos that they were able to agree upon about 90% of all of the different questions that arose for discussion in the Dumbarton Oaks conference. Some of the problems not there settled were solved at Yalta, and others by negotiation and international communication, and all of them will be submitted to and will, in my opinion, be formulated at San Francisco in a document that will constitute one of the great charters of human liberty and liberation of human history.

It is impossible in the time allotted to me on this occasion to go into any details with respect to the machinery through which the peace of the world may be preserved. We do know that in spite of its high resolves and its notable ambitions for peace and the serious work in which it engaged to that end, the League of Nations of a quarter of a century ago fell short of the requirements essential to the preservation of a peaceful world. The extent to which these failures may be attributed to our failure to enter that organization is now an academic question and ought not now to serve for the creation of any prejudices or preconception of ideas regarding the new effort to preserve peace.

We all recognize now that unless the new organization is entered into whole-heartedly by all the great powers of the world, it likewise will fall short of success. We all realize now that any such organization must be equipped with power—a degree of power not possessed by any previous international organization. Of course, it must have the facilities and the machinery for negotiation, for peaceful conference, for diplomatic persuasion, and for the opinion of mankind to be brought to bear upon any recalcitrant nation which seeks again to bring war and chaos to mankind. These facilities are provided in the Council of Safety and in the Assembly set up in the Dumbarton Oaks program, but beyond this machinery for negotiation, this organization must have power to enforce its decisions in whatever action it may decide to take against aggression in its incipiency.

And it is a matter for congratulation that all the nations now involved in this tremendous effort recognize the need for bringing to bear against an aggressor not only the united opinion of mankind but sufficient power and force to make it impossible for another aggressor to get very far in his designs for world conquest.

As I have already indicated, it would be fantastic to have expected that either at Dumbarton Oaks, or at Yalta, or at San Francisco a perfect document could emanate. Undoubtedly conditions will arise in the future which will require modifications in the light of experience, but the only alternative to the formation of such an organization is the prospect of another war in another generation, or sooner, and another era of economic, social and political chaos which might destroy civilization itself.

Cost of American Participation

Heretofore, arguments have been advanced to the effect that our part of the contribution to maintain such a world organization would be greater than our Nation ought to bear. We are now spending for war purposes alone approximately Ninety Billion Dollars per year. In the last three years we have authorized the expenditure of approximately Three Hundred Billion Dollars and we are now in the process of raising the debt limit of the United States to the incredible sum of Three Hundred Billion Dollars. This represents a sum equal to the total wealth of our Nation two or three decades ago. This sum would be sufficient to maintain our share of the expenditure involved in the maintenance of a world organization for peace for a thousand years.

Similar comparisons can be made by the other nations which have been required to assume the burden of throwing back the hordes of brutality and world domination. If all the money expended by all the nations since the 1st of September, 1939, as a result of this war could be devoted to the development of our natural resources, the education of our people, the advancement of the arts and sciences, and the effort to bring to every human being in the world "Life, Liberty and the Pursuit of Happiness," it would be impossible to visualize the high standard of living and of life that would come to our people and to the world.

Undoubtedly disagreements will arise, as they have arisen, over questions of boundry between nations, spheres of influence among nations, and the share of world trade and commerce which all nations will be seeking. But the ultimate question of boundaries need not deter us in bringing about at the earliest possible moment such a united effort among all the nations as will rescue mankind from all the horrors of war.

There is, according to my judgment, an unbroken line of progress and of determination from Dumbarton Oaks to Yalta and to San Francisco, together with intervening stations such as Quebec, Teheran and Malta, which we cannot afford to break. Neither should we allow any shades of difference over voting procedures in the international organization to appall us with fear. One of the arguments against the last effort of mankind to organize for peace, and one of the arguments against our entering into that effort, was the claim that we would be outvoted by other nations where our interests were vitally involved. Certainly the agreement as to voting procedure which was reached in Yalta is as much a protection to the United States as it is to any other nation, and it certainly dissipates the argument or the claim that our Nation would be subject to the will of other nations without the power of veto where our vital interests of a military or economic standpoint will be involved.

In brief, looking at the plight of mankind all over the world at present, looking at the threatened destruction of civilization itself, looking at the universal hope of a vast and overwhelming majority of all the people of the world for a respite and a deliverance from the fear which they have been forced to endure and the sacrifices which they have made and are making, and must continue to make unless our present efforts succeed, I cherish the hope and the belief, and I think our people cherish the determination, that we shall accept as a nation and as a people the responsibility of sharing in the guidance and direction of mankind toward a goal loftier than the sordid brutality of war, and loftier than the purely selfish contemplations of any nation or any group of nations which may conceive it to be within its power to thwart the peoples of the world and thus thwart the ambitions of two billion human beings for the happiness which comes to the peaceful life and the security in which that peaceful life may be preserved.

John Kruse Heads NASD Quote Comm.

CLEVELAND, OHIO — The Cleveland quotations committee of the National Association of Securities Dealers, Inc., is now headed by John Kruse, of Otis & Co. He succeeds Norman Cole, of Ledogar, Horner & Co. as Chairman, but Cole continues as a member of the group which furnishes daily quotations to newspapers on stocks in the Cleveland over-the-counter market.

The third member of the committee elected was George Williams, of Livingston, Williams & Co.

Ohio Municipal Comments

By J. AUSTIN WHITE

The comment most often heard in the Ohio municipal market during the past several weeks, and probably in the municipal market generally, has been about the rising level of prices. During all the talk about whether or not the Treasury has set a new pattern of interest rates for Government financing, a new pattern of interest rates has definitely been set in the Ohio municipal market.

J. Austin White

Last week Mogadore School District, in Summit County near Akron, sold $128,000 of bonds due 1946 through 1965 as 1¼s at 100.14. This certainly is a new high-price level for paper of this type and maturity. It remains to be seen whether or not the interest pattern will hold at a 1¼% rate for 1- to 20- or 25-year issues of such paper. Higher grade issues, however, can definitely be expected to sell at a 1¼% rate, and possibly even at a 1% rate for highest quality, and lower grade issues will no doubt generally bring a substantial premium for 1½s, and possibly even modest premium for 1¼s, all for maturities running up to 1965 or 1969.

The new pattern is definitely set at a 1% coupon rate for maturities of 1 to 10 years, of any quality at all.

Recent sales of Cleveland bonds in the secondary market have confirmed a new higher price level on this name, especially for maturities up to around 10 years. It would seem that, since the first of the year, Cleveland bonds have climbed more decidedly than have most other Ohios. This more pronounced strength in Clevelands is probably due to the nationwide market which this name enjoys. Aggressive bidding for the name has come from outside Ohio.

Another reason for the apparently decided strength in the market for Clevelands is the mere fact that lately worthwhile blocks of this name have been sold on several occasions in the secondary market, and these sales have served to confirm the higher level of the municipal market generally.

Other Ohio names that enjoy a similarly broad market, such as Columbus and Cincinnati, have not come into the market through competitive sale in blocks large enough to require really sharpening the pencils of the bidders.

In the bull market enjoyed during the past few months in municipals generally, competitive bidding for larger blocks of bonds has appeared to raise prices further when, as a matter of fact, such bidding has actually served to demonstrate to all concerned the strength already underlying the market.

High Grades Also in Demand

One very healthy condition of this rising market is the fact that high-grade names have been in demand almost as well as have second grades. It is true that the spread in yields between higher grade and lower grades has continued to diminish. Yet the appetite for qauity appears to be healthy—and it may well continue to be so.

For some time yields on high-grade paper appeared to have reached a virtual ceiling, and while such bonds tended to hold about at the same level, lower grade names seemed ever to climb in price, pushing the yield on such bonds closer and closer to the level of yield on high-grade bonds. Perhaps the decided rise in Government bond prices over the past few months has raised this ceiling on high-grade municipals. Perhaps an inclination to quit comparing yields on municipals with yields after taxes on Governments has abated this ceiling. Perhaps, even, there is a greater desire to buy quality.

At any rate, this apparent ceiling on high grades has either been pierced, or has been raised. It may well be hoped that it has been discarded, to the ultimate decided benefit of investors. But only time will tell if it will again serve to hold prices in check for bonds of high quality while prices rise further on second-grade risks, as investors look for yields a little more liberal than that which can be had with top quality.

In the Ohio market, at least, there prevailed for some time a ceiling of a 1.00% yield. Too many municipal buyers simply refuse to buy at less yield than 1.00%, regardless of the quality of the risk. Rather than invest at a return of less than 1.00%, too many buyers would turn either to longer maturities or to lower quality. Far too many turned to the risks of lower quality—and, as has been emphasized before in these columns, found (or rather will find) themselves with a bond that afforded a return of 1.20% instead of .90%, but also afforded far less security than this small difference in income would justify.

While there are yet too many investors who still refuse to buy anything that shows less than 1.00% yield, here and there can be found a buyer who has broken away from this prejudice. If the fence has actually been broken, more sheep will follow through the gap. Moreover, the buyers who formerly had to have a margin of yield over 1.00%—even 1.10% or 1.20%—in order to buy, are becoming more interested in a 1.00% yield.

Finally, there is a tendency to buy longer maturities. Whereas a maturity of 1954 or 1955 had seemed too long for many banks, now such maturities are acceptable, and 1958 or 1959 maturities appear to be gaining in popularity. This tendency to take longer maturities, of course, helps make it possible to buy high quality at "ceiling" prices, and in effect to raise the ceiling.

If only we would realize that quality has no "ceiling" price—if, indeed, it has any price at all—if only we would realize that "quality is remembered long after price is forgotten," how much happier would investors be 10 years from now, or in the next depression! Or will some Bretton Woods or Dumbarton Oaks outlaw depression?

Ohio Municipal Price Index

Date—	*	†	‡	§
Mar. 14, 1945	1.27%	1.43%	1.11%	.32%
Mar. 7	1.28	1.45	1.12	.33
Feb. 14	1.30	1.47	1.14	.33
Jan. 17	1.33	1.49	1.17	.32
Dec. 13, 1944	1.34	1.51	1.18	.33
Nov 15	1.36	1.53	1.19	.34
Oct. 18	1.35	1.53	1.18	.35
Sep. 13	1.32	1.50	1.14	.36
Aug. 16	1.31	1.49	1.13	.36
July 12	1.31	1.48	1.15	.33
June 14	1.31	1.46	1.16	.30
May 17	1.31	1.46	1.16	.30
April 12	1.32	1.46	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

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

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

Ohio Brevities

President Charles G. Munn of Reynolds Spring Co. of Jackson, Mich., announced his concern had purchased Cleveland Wire Spring Co., manufacturers of mechanical springs for 68 years, by acquiring its capital stock for $1,400,000. The company has two plants in Cleveland.

For the first time in its history, more than 40 principals and teachers of Cleveland public and parochial schools and other educators attended a banking panel sponsored by the Cleveland chapter, American Institute of Banking.

The teachers submitted some 60 questions about banking most commonly asked by students and seven Cleveland bank officers answered them. Elbert L. Frank, Assistant Vice-President of the Cleveland Trust Co., was the moderator.

* * *

Robert Simkins has been made a Vice-President of Trundle Engineering Co., management engineers. He will be in charge of Western sales with offices in Chicago. He replaces W. S. Ford, who resigned.

* * *

May Department Stores Co. announced it will split common stock two shares for one and authorize 250,000 new preferred shares. The company contemplates raising approximately $15,000,000 new capital by public issue of 150,000 shares of the new preferred.

The company stated it plans to spend "considerable sums" for the development of retail-store operations in suburban areas and modernizing and improving existing properties. Some suburban store sites have been acquired and plans also include the retirement of $4,000,000 of the funded debt. Directors will fix dividend rate and offering price of new preferred at the time of public offering. Goldman, Sachs & Co. and Lehman Bros. will head the underwriting syndicate, the store said. Stockholders will meet April 3.

* * *

Donald B. Hornbeck, attorney, active in Republican politics and formerly Chairman of the Board of National Bronze & Aluminum Foundry Co., was elected President of the concern. He also heads the subsidiary, National Aluminum Cylinder Head Co.

The company announced Mr. Hornbeck accepted the post providing he would be able to continue his law work, spending part time with the company. He was renamed to the directorate along with William C. Kruse, Jr., Newark, N. J.; Frank Raichle, Buffalo; J. A. M. Thomas, Secretary James Laughlin, Jr., who also was named Treasurer; Herbert Pfahler, New York, Vice-President, and William I. Neimeyer, who also became Executive Vice-President. Clarence H. Swallow was chosen Vice-President and Controller.

* * *

Mr. Hornbeck is a director of the Akron, Canton & Youngstown Railroad and is a member of the minority group which is engaged in a proxy fight seeking further representation on the Road's board at its annual meeting this week.

The President of the Road, H. B. Stewart, Jr., in a recent letter to stockholders, said that the annual meeting would involve a contest for control of the Road.

Mr. Stewart said Josiah Kirby of Cleveland was the leader of a group seeking to elect a sufficient number of directors to win control and contended a change in management would be injurious to the company.

He told stockholders "the purpose of the letter is to advise you I anticipate that the annual meeting will involve a contest for election of directors and to urge your support for the present management."

In a second letter, Mr. Stewart declared the names of Harrison Ewing, former Common Pleas Judge, and Smith Davis, a broker in newspaper property sales, appear on proxy forms opposing the present management. Messrs. Kirby and Davis denied any connection in a proxy fight.

* * *

Frederick L. Bissinger, youthful head of the patent department of Industrial Rayon Corp., has been elected Secretary of the company. He came to Rayon in 1942 as head of the patent department, following a six-year association with the law firm of Pennie, Davis, Marvin & Edmonds in New York and Washington.

He holds two degrees from Stevens Institute of Technology and a law degree from Fordham University in 1938. He is a member of the Chemists' Club of New York, American Chemical Society, American Patent Law Association and Cleveland Patent Law Association.

D. S. Mallory, Secretary-Treasurer, will continue as Treasurer, a post he has held since 1925.

* * *

Twelve investment firms purchased $1,331,500 in municipal bonds offered last Friday by the Retirement Board of the State Employees Retirement System of Ohio. Allotments to the firms will not be announced until completion of sale details.

Among the cities whose bonds were offered were Akron, Cleveland, Bedford, Cuyahoga Falls, Euclid, Garfield Heights, Lakemoor Village, Portsmouth and New Boston, and all were sold excepting those of the last-named town.

The successful bidders were First Boston Corp., New York; Salomon Brothers & Hutzler of New York; Fox, Reusch & Co., Cincinnati; Braun, Bosworth & Co., Toledo; Paine, Webber, Jackson & Curtis, Chicago; Wm. J. Mericka & Co., Cleveland; The Ohio Co., Columbus; J. A. White & Co., Cincinnati; C. J. Devine & Co., Cincinnati; Fahey, Clark & Co., Cleveland; The Providence Savings & Trust Co., Cincinnati, and Stranahan, Harris & Co., Toledo.

* * *

McDonald & Co. of Cleveland bought $128,000 of Mogadore, O.,

(Continued on page 1277)

Committee Chairman of No. Ohio IBA Group

CLEVELAND, OHIO — Chairmen of six committees of the Northern Ohio Group of the Investment Bankers Association has been announced by M. J. M. Cox, of Curtiss, House & Co., Chairman of the group.

The chairmen and the committees they head follow:

W. Yost Fulton, of Maynard H. Murch & Co., Education Committee; Robert O. Shepard, of Hawley, Shepard & Co., Legislation Committee; William J. Mericka, of Wm. J. Mericka & Co., Business Conduct; Harvey Gotschall, of Prescott & Co., Membership; William H. Watterson, of Fahey, Clark & Co., Municipal, and Walter B. Carleton, of Fahey, Clark, Meetings and Entertainment Committee.

Otis Co. Adds Russick

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO.—Otis & Co., Terminal Tower, has added Norman H. Russick to its staff.

OUR REPORTER'S REPORT

Investment interests are inclined to anticipate a marked step-up in the pace of new offerings between now and the middle of May when the Treasury is scheduled to launch its Seventh War Loan Drive. The latter is slated to run well into early July, and accordingly the corporate new issue market will be in for a corresponding period of dullness.

Consequently corporations which have prospective refinancing operations or new money undertakings in mind are expected to speed up the process of getting such offerings to market in advance of the Treasury's program.

The vanguard of such corporate flotations made their way to market this week, giving the underwriting fraternity its busiest week in more than a month in that particular phase of the business. And that investors are in a receptive mood was clear from the ready response which greeted offerings.

The temper of the investor was set forth quite plainly toward the end of last week when the big block (369,973 shares) of Louisville & Nashville Railroad capital stock was snapped up within a few minutes of the opening of the books.

This was not a new offering, but rather a secondary marketing of stock already outstanding which had been purchased by bankers from the Atlantic Coast Line Railroad Co., which controls L. & N.

Big Issues Ahead

Heading up the long list of prospective new offerings, likely to reach market in the next few weeks, are several railroad issues and a goodly list of utilities.

Four large railroad operations alone promise a total of some $284,000,000 of new issues should these materialize as expected and the roads are known to be anxious to get through with their refinancings.

The Reading Co. has announced a program calling for $95,000,000 of refundings and the Erie is said to be discussing plans with bankers for refinancing about $75,000,000 of its debt.

Meanwhile the Virginian Railway plans an issue of $60,000,000 and the Chicago & North Western is said to be considering plans for $54,000,000 of new first mortgage bonds.

On top of this formidable array the New York Power & Light Co. has gone into registration on $50,000,000 of new 30-year first mortgage bonds for which bids will be considered April 10 next.

Starting the Parade

This week brought the Laclede Gas Light Co.'s $19,000,000 of new first mortgage 20-year bonds to market by way of competitive bidding. Attractive in scope this issue brought bids from three banking groups.

The successful syndicate proceeded to reoffer the bonds publicly yesterday at a price of 102¼ for a 3½% coupon. Yield, plus the shorter than usual maturity, made the issue popular with investors.

Another group meanwhile offered as a secondary operation 2,165,296 shares of the company's common stock purchased from the Ogden Corp.

The second operation involved the preferred stock of Marshall Field & Co. A block of 150,000 shares was offered to holders of the outstanding preferred issues under an exchange program, and bankers proceeded to offer publicly the unexchanged portion of the new stock.

Tax-Exempts Popular

Refusal by the Supreme Court to review a decision of the Circuit Court of Appeals, which had held such bonds exempt from Federal income tax, gave the Triborough Bridge Authority the right of way in refinancing its outstanding debt and providing some funds against postwar improvements.

The $110,000,000 offering of that agency, half in the form of serial bonds and the balance in term securities really "went out the window" as the saying goes. Standing as the largest single revenue bond issue ever brought to market this piece of business was completed in record time.

The quick absorption of so large an offering afforded powerful testimony of the attractiveness of tax-exempt bonds to the wealthy and to institutional investors.

Easy to Handle

Florida Power & Light Corp.'s sale of 40,000 shares of 4% preferred stock on Tuesday illustrated again the popularity of what underwriters refer to as "street-sized deals."

That offering, in competitive bidding, brought tenders by six separate banking groups, and brought the company a top bid of 100.177 for the issue. The winning group prepared to reoffer the stock publicly at a price of 101½ to yield 3.95%.

Parcel Post to Russia

Postmaster Albert Goldman of New York on March 17 directed attention to the announcement issued by Postmaster General Frank C. Walker that parcel post service to the Union of Soviet Socialist Republics would be resumed on March 20. The service was suspended June 15, 1940. The announcement also said:

"The Postmaster General's order providing for resumption of parcel post service is also applicable to certain areas under the jurisdiction of the Soviet Union with which mail service was resumed on Feb. 16. These are: Bessarabia, northern Bukovina, and certain places in the district of Dorohoi in Moldavia. Parcels must conform to the export license requirements of the Foreign Economics Administration."

Canadian Securities

By BRUCE WILLIAMS

How will Canada in the postwar era solve her most challenging problem—a plentitude of material resources but a woeful inadequacy of population.

Although under the stimulus of war the Dominion has made giant strides in industrial development, the results achieved so far are comparatively insignificant when consideration is given to the potential capabilities in this direction, of which the following represent but a few of the outstanding examples:

(a) Canada which already has developed more hydro-electric power per capita than any other country, nevertheless has only utilized one-fifth of the recorded water resources. Water is the first essential of most industries and Canada has within her borders more than one-half of the fresh water in the world, all above sea-level.

(b) The Canadian Pre-Cambrian Shield covering an area of about 2 million square miles, the surface of which, although only just scratched, has made the Dominion one of the world's leading producers of base metals, and current developments in the Yellowknife district of the North West Territory and in other northern sections of the Shield suggest that the Dominion one day will be the foremost producer of gold, radium, tantalum and other precious metals which are constantly being uncovered in this vast treasure house of Nature.

(c) The colossal virgin coal deposits of Alberta and British Columbia, the promising oil developments in Alberta and the other prairie provinces, and the high-grade iron deposits of Ontario and Labrador, are all awaiting full exploitation.

(d) The value of the Canadian forests, covering about 35% of the total land area, although already well utilized, is enhanced to a tremendous degree by the new-age discoveries in the realm of plastics and other synthetic materials.

A natural solution of the Canadian population problem might very well be evolved as follows: Great Britain as an industrial power can no longer maintain a leading position on her own resources. Whereas Canada's great deficiency is in labor supply, Britain during the last few decades has had an embarrassing surplus of skilled labor. During the war especially, bulk re-allocation of workers has taken place from declining to newer industrial areas. This process could be extended to include Canada in the sphere of such labor migration. Furthermore, Britain has a wealth of industrial knowledge and organization that could be better employed in Canada, the little developed manufacturer's paradise, than within the rapidly narrowing scope afforded by the British Isles. In brief, Britain can enter upon a new era of industrial prosperity based on closer integration with Canada on a partnership basis, and in this age of rapid transport, the distance factor is no longer a great problem.

Of still greater eventual significance is the fact that Britain's commercial supremacy was founded on the strategic position of the British Isles during a maritime age. On the aerial map it is not Britain that is on the air crossroads of the world but Canada.

Insofar as this country is concerned, a prosperous Britain and possibly what is more important, a flourishing highly industrialized northern neighbor, even if some measure of competition arises, can cause our own industrial wheels to turn more briskly with a vastly greater volume of trade ebb and flow across the border.

Turning to the market for the past week, although there was less activity, the tone continued firm and there was a fair demand for medium-term high-grades. Montreals were strong at a new high level and Albertas strengthened after a slight relapse. However, the reception given to the debt refunding offer has been generally unfavorable. In view of the Federal Government's strong desire to see full recognition of interest arrears and contractual coupon rates, it would not be surprising if further pressure were exerted on the Alberta Government in order to bring about a fuller rehabilitation of the provincial credit.

Little activity was recorded in internal bonds but a further burst of activity in gold shares caused a temporary appreciation in free funds to 9½%; the weight of dividend sales later depressed the rate to 9 13/16%.

With regard to the possible future course of the market, it must be borne in mind that prices are now at peak levels and it is to be expected that the Eighth Victory Loan will shortly have its quietening effect.

Moreover, it will not be too long before the General Election becomes a definite factor and an abrupt termination of the war in Europe could also produce a temporary unsettlement.

Fox Named Director Of Surplus Property

The Treasury Department announced on March 12 the appointment of A. U. Fox as Director of the Office of Surplus Property in the Procurement Division. In this position he will be responsible, under the direction of John W. Pehle, Asssistant to the Secretary of the Treasury, for the Treasury's operations in the disposal of surplus property. The Treasury announcement said:

"Mr. Fox's previous Government experience was also with the Treasury Department. He served as Deputy Director of Foreign Funds Control from April, 1941, to August, 1944. He has had more than 15 years' experience in high level administrative positions. From 1934 to January, 1941, he was managing partner of Swan, Culbertson & Fritz, handling commodity and security brokerage in Shanghai, Hong Kong, Manila and Singapore. Previously he was connected with the National City Bank of New York in the Far East.

"Mr. Fox returned to the United States in 1941 to join the staff of Foreign Funds Control."

Municipal News & Notes

Mayor Kerrigan of Boston, Mass., is seeking authority from the State Legislature to refinance $16,500,000 Sumner Tunnel debt at an estimated saving to the city of over $12,000,000 in interest charges over the next 20 years. The debt amounts to $19,600,000, against which there is now a sinking fund of $3,100,000. Construction on the project was begun in the early 30's.

Under the plan proposed by Mayor Kerrigan, a new issue of bonds would be sold and the proceeds invested in United States Government securities, presumably in anticipation of the date on which the outstanding obligations could be redeemed. The income received on the Federal investments would offset carrying charges on the new bond issue, which the Mayor expects can be marketed at an interest cost of from 1½% to 2%.

In connection with the proposal, City Manager James H. Flanagan said that it would be possible for the city to borrow now at a record low interest rate. City officials believe that the nadir of interest rates has been reached and that it is more than possible that they will advance in the future. Accordingly, they reason that the city could not lose by effecting the refinancing at this time.

Port Authority Offering Now Scheduled for March 28

John J. Pulleyn, Chairman of the Port of New York Authority Finance Committee, has announced that the agency will consider bids March 28 for the sale of $12,000,000 ninth series general and refunding bonds to mature in 1985. Bidders will be asked to name a single interest rate of not more than 1¾%, and expressed in a multiple of ⅛ of 1%. Except for sinking fund purposes, the proposed bonds will not be subject to redemption prior to April 1, 1955, at a price of 101.

Proceeds of the forthcoming sale, coupled with funds to be available from other sources, will be employed by the bi-State Agency in the redemption of $28,422,000 of 3% sixth series general and refunding bonds which are callable Dec. 1, 1945. Commissioners of the Port Authority, Mr. Pulleyn explained, elected to undertake the refunding of such debt now because of the current strong position of the Authority's bonds.

In addition to sale of the $12,000,000 bonds via competitive bids on March 28, the Authority is completing arrangements for the sale, at 1% interest, of $14,000,000 notes to the National City Bank and the Chase National Bank. The notes will be payable $2,800,000 annually for five years and callable in whole or in part at any time at par. This loan will provide a more flexible schedule for the retirement of the debt over the next few years than could be achieved by the issuance of a serial or term bond, according to Mr. Pulleyn.

The balance of about $2,085,000 needed for the refunding operation, together with whatever discount may be included in the accepted bid for the bond issue, will be met through an appropriation from the Port Authority's general reserve fund.

Subscription Books on $110,000,000 Triborough Issue Quickly Closed

The rapid closing of subscription books, together with an advance in quotations over the offering prices, highlighted last week's public offering by Dillon, Read & Co. and associates of the $110,000,000 Triborough Bridge Authority refunding loan. These results underscored both the high investment rating enjoyed by the Bridge Authority and the unusual demand prevailing for tax-exempt securities. Both factors were clearly recognized by officials of the Bridge Agency and the underwriters in working out terms of the recent offering. Particularly significant was the upping in the offering price for the $55,000,000 terms 2s of 1980 from the originally scheduled figure of 98 to a price of 99.

This advance, however, was more than matched by the market and late yesterday afternoon the bonds were quoted at 100¼ bid and 100¼ asked. The $55,000,000 serial 2½s making up the balance of the total issue also moved to higher levels from those initially established and, on the basis of yesterday's quotations, reflected a markup of about half-point.

The deal, incidentally, represented the largest single piece of public financing ever undertaken. Dillon, Read & Co. and associated underwriters announced that 25% of the $110,000,000 issue had been contracted for by a group of banks, thus reducing to $83,500,000 the amount available for public subscription. Proceeds of the borrowing will be used by the Bridge Agency to retire all of its presently outstanding debt of about $100,000,000 and to establish a fund for further improvements to the bridge facilities.

Unexchanged Salt River Power District Bonds Redeemable Now

Holders of unrefunded 4¼% bonds of the Salt River Project Agricultural Improvement and Power District, Ariz., which are callable in 1948, may surrender them for payment, on or before March 31, 1945, to the Harris Trust & Savings Bank, according to a notice just issued by the refunding agents. The bonds thus surrendered will be redeemed at face value, plus immediate prepayment of the accrued interest to the respective call dates in 1948 and the premium to the call date.

A plan of refunding and offer of exchange, dated June 15, 1944, was made to holders of the $3,197,000 4¼% corporate bonds, issue No. 1, dated Oct. 1, 1937 and callable Jan. 1, 1948, and the $4,135,000 4¼% corporate bonds, issue No. 1, dated June 1, 1938 and callable July 1, 1948.

Since the plan has been operative upwards of $6,000,000 of bonds subject to the offer have been exchanged for the new refunding bonds, according to the exchange agents which include Stranahan, Harris & Co., Inc., Shields & Co., Durand & Co., Tucson, and Boettcher Co. The call prices on the respective issues are as follows: 1949 maturity, 100.50; 1950, 101; 1952, 102; 1953, 102.50, and 1954 to 1964, at 103.

Holders of unexchanged bonds who do not wish to secure prepayment are advised to contact any one of the above-mentioned firms and obtain terms of the refunding offer with respect to their bonds prior to March 31, 1945.

New York State Local Finance Law Analyzed

Detailed information relating to the debt limits and borrowing powers of cities in the State of New York form an important part of the fifth annual report of the Temporary State Commission for the Study, Revision and Codification of the Laws Relating to Municipal Finance.

This Commission, of which Assemblyman Leo W. Breed is now Chairman, was responsible for the monumental task of drafting the 900-page omnibus bill to bring into conformity with the local finance law "every provision of those laws which had to do with borrowing or the incurring of indebtedness by any unit of local government—with the exception of course of such provisions as were repealed outright." The latter exceptions involved a schedule containing approximately 3,000 items. The local Finance Law, embodied in a bill offered by Assemblyman Abbot Low Moffat, was adopted during the session of 1943 but was not to become effective until July, 1944. Amendments during the 1944 session included a change in the effective date to April 1, 1945, thereby allowing possible further changes during the current session.

The section devoted to a study of the bonded indebtedness of cities shows the bond debt outstanding for each city, the unused borrowing capacity and the percentage of borrowing power used. Data is also presented on the net debt per capita and on the percentage of tax levy used for debt service. These statistics bring out the relationship between percentage of borrowing capacity used and the ratio of a city's assessments to full value.

Added Competition And Increased Security of Housing Bonds Proposed

Under the terms of a bill scheduled to be introduced in Congress shortly and endorsed by the National Public Housing Conference, the U. S. Housing Act of 1937 would be amended in such a way as to increase competition for local housing authority bond issues and to strengthen the security of such obligations.

The first-named objective would be obtained by permitting national banks and members of the Federal Reserve System to participate in the bidding for housing bonds. These institutions at present are forbidden to underwrite such issues, although it is possible for them to participate in such financing as investors for their own account or for trust accounts.

As to strengthening the security of housing authority bonds, this the proposed amendment would accomplish by providing that in event of a default by a local authority of its contractual obligations the Federal Public Housing Authority would acquire and operate the project in question. the amendment also would require the continued payment of the annual FPHA contribution which assures the economic stability of these low-rent housing ventures and represent the basic security for the applicable indebtedness.

The effect of this amendment, it is believed, will be to further enhance the attractiveness of the bonds as investments and possibly permit such financing at a lower interest than has prevailed in the past.

The National Public Housing Conference, it is pointed out, is a non-profit membership organism created in 1931 and devoted to the task of promoting slum clearance and the construction of low-rent housing units.

Aside from the above-mentioned features of its suggested legislation, all of which is described in the February issue of "Public Housing," the NPHA house organ, the program envisages the construction of some 450,000 new houses in the first two years after the war, involving an estimated expenditure of close to $2 billion. The program would be undertaken jointly by public agencies and private builders.

Additional Payment on Dallas, Tex. City & County Levee District Bonds

The Bondholders' Committee of the City and County of Dallas Levee Improvement District, Texas, is advising holders of bonds and depositors thereof that an additional payment of $10 per bond will be made on all bonds deposited with the committee at the close of business on March 24, 1945. This disbursement will be in settlement of all coupons due Oct. 1, 1941 and April 1, 1942. Depositors of 5½% bonds dated June 1, 1928 will receive payment on the same basis as if they were depositors of refunding bonds.

The committee also states that it has reached tentative understandings with the district regarding a plan of debt refunding on a par for par exchange basis. The contemplated plan calls for new bonds to mature in 60 years. Inquiries regarding the announced $10 bond payment and other matters pertaining to the district should be addressed to W. D. Bradford, Secretary of the Bondholders' Committee, at Room 1504, 115 Broadway, New York City.

Items In The News

Creditors of **Cache River Drainage District No. 2**, in Greene County, Ark., who have not as yet filed claims, etc., under the modified plan of debt composition made effective Sept. 18, 1944, by the U. S. District Court for the Eastern District of Arkansas, must act within six months of the foregoing date in order to participate in the "consideration, money and property" conveyed to the new company created pursuant to the court's final decree. Written proof of claims must be filed with Clerk of the Court at Jonesboro, Ark., and a copy furnished the **Cache River Land Co.** within the six months' grace period.

Under the provisions of a bill signed by Governor McCord, **Knox County, Tenn.**, is authorized to issue up to $1,000,000 bonds for construction of schools.

Cohoes, N. Y., bonded debt has been cut $308,554 since 1941 and annual interest charges lowered from $68,234 to $60,021, it is stated by Mayor Rudolph Rulier.

Danville, Va., will pay off a further $65,000 of its hydro-electric plant bonded debt this year, thus increasing to $360,000 the total amount redeemed during the seven years of operation of the plant. Nothwithstanding wartime restrictions on use of current, total kilowatt output in 1944 was 25,777,725, as against 24,206,435 in 1943, a load increase of 6.1%.

Having already been approved by the **Ohio State Senate**, a bill is now before the House which would extend for a period of two years existing legislature allowing Ohio taxing units to refund maturing bonds. The City of Toledo, it is said, plans to refund $724,500 of bonds in the present year.

Barring further bond issues, **Dutchess County, N. Y.**, will be entirely free of funded debt by 1954, according to the County Treasurer. The current aggregate, at $485,000, is the lowest since 1929 and no bonds have been issued since 1940. As a result, interest charges declined from a high of $84,000 annually to only $12,958 in 1945.

Marshall Field & Co. 4¼% Pfd. Stk. Offered

Formal public offering was made March 21 by a nationwide banking group headed by Glore, Forgan & Co., Lee Higginson Corp. and Shields & Co. of the unexchanged portion of 150,000 shares of 4¼% cumulative preferred stock of Marshall Field & Co. at $104 per share and accrued dividends.

The public offering follows the expiration of the company's exchange proposal under which holders of the outstanding 6% cumulative preferred shares of both classes were given the right to offer such shares to the company in exchange for the new 4¼% preferred shares, on a share for share basis, plus certain cash payments by the company and subject to a dividend adjustment. The company has accepted the offers of the holders of an aggregate of 128,108 6% cumulative preferred shares of both series pursuant to the exchange proposal, leaving 21,892 new 4¼% preferred shares to be purchased by the underwriters.

The new 4¼% preferred shares are redeemable at $109 per share through March 31, 1950, at $106.50 per share thereafter through March 31, 1955, and at $104 per share thereafter.

Both Business and Investor Need the Investment Banker

(Continued from page 1258)

cause he usually has a hand in the management and use of his savings. The same investor in a large business must have confidence in the soundness of his enterprise and in its hired management.

By the same token, the investment trust officer who is charged with responsibility for the safety and productiveness of other people's savings is doubly cautious. This is true of the administrators of estates and trusts, of investment officers of banks, savings and loan companies, insurance companies, endowed educational and philanthropic institutions, and others.

Needed by Investor and Business Alike

Thus we come to the function of investment banking in the American scheme of things, which is virtually irreplaceable in a nation where business and enterprise commonly depend upon the investment of cash savings by a large part of our population. The investment banker is the connecting link between the small investor and business in need of capital funds. The profession came into existence because there was a job to be done for people with money to invest and for businesses seeking money. The investment banker's fundamental job is to be first an analyst, then a salesman, and this is the point which the public too frequently misunderstands. It is the never-ending study and research, backed by years of experience and knowledge, which equip the investment banker for establishing confidence on the part of his clients, and confidence from investors and corporations alike is his principal asset. His analysis of the financial needs of a business, plus his knowledge of investment markets, is his stock in trade.

He is strictly regulated by government surveillance, and his business transactions are inevitably subjected to the spotlight of public scrutiny. His dealing in securities involves the staking of both reputation and the future of his business upon principles of fairness and honesty. The element of risk in the investment of money would make his position precarious if he were not meticulously careful and paintaking in research and investigation of the securities in which he deals.

For obvious reasons, the investment bankers of the nation are located in the larger cities. This is the logical situation. Whether it be Wall street in New York, La Salle street in Chicago, Montgomery street in San Francisco or Main street in numerous other cities, the investment banker is located to be in the closest touch with people who have money to invest and with businesses which require capital. Investment banking is not far removed from the most remote community of the nation or from the individual residing on a farm, for it touches the life of every person who carries life insurance, or has a bank account, or whose livelihood is affected by our complex business organization.

It is interesting to note just what constitutes such organizations. Some investment banking firms engage in all phases of investment banking, not specializing in railroad or public utility or industrial or municipal financing. Some investment bankers are principally underwriters (that is, they buy securities for resale through other dealers) or, on the other hand, are distributors of securities underwritten by others. Some are both underwriters and distributors.

In order to effect nation-wide distribution of securities, offices of individual firms are located throughout the principal cities of the United States and are bound together by private telegraph wires in order to provide immediate communication because security prices and markets vary hourly and thus close contact is necessary. In a matter of two or three minutes salesmen throughout the country can be released to offer any particular security so that the investor in Salt Lake City or Spokane will have the same opportunity as one in New York or Boston.

Analysis Is Valuable Service

An investment banking firm has various departments which require highly specialized skill on the part of the personnel. For example, there are certain specialists in analyzing and appraising security values, who can tell what a security should be worth by comparison. Others are specialists in markets and know at any particular time what insurance companies or savings banks or trust accounts wish to buy and what they require in what they buy. Still others, and this is of particular importance to corporate officials, specialize in determining what particular terms of financing, over a long period of years, will best serve the interests of the corporation and obtain the best public acceptance.

In the actual distribution of securities, detailed organization and team-work are employed. Before an issue is offered, extensive information in the form of a prospectus is prepared and distributed to sales representatives and other dealers so that they may judge the suitability of the particular security for their various clients.

This information usually relates not only to strictly financial data, but to the territory served by the company, the industries located in the territory, the character and occupations of the people, all of which have a bearing on the investment worth of the company's securities.

As the time of offering approaches, dealers in various parts of the country are consulted to determine the most effective allotment of securities. Dealers in the "home town" are asked about the local demand, to which preference is usually given.

When release of the offering is finally made, the preparatory work has all been done, and the hundreds of people throughout the nation who are specialists in investments are able to give their advice to prospective investors regarding the new issue.

The capital needs of industry are very large during periods of expanding business. In the decade following World War I, to finance expanding business required the raising of new capital in an amount approaching 25 billion dollars annually. The next 10-year period was one of contracting business when new capital requirements were only a small fraction of this amount. With the preparation for and the prosecution of the present war, vast amounts have been required to finance the tremendous industrial activity.

Idaho Power Utilizes Investment Banking Service

Why should stockholders, customers or employes of Idaho Power Company be interested in investment banking? Simply because the Company's securities, representing the money invested in our business, have been re-financed by utilizing the services of investment bankers, because this is the only apparent means through which necessary re-financing could be accomplished, and because the results of such re-financing have strengthened the Company's financial position, and therefore directly involve the interests of stockholders, customers and employes of the Company.

Electric Power and Light Corporation, which had for many years been the sole owner of Idaho Power Company common stock, was under governmental order to dispose of its interests. This was in 1943. Since the amount involved exceeded some $10,000,000, obviously a single buyer was not likely to be found. The alternative was to sell the Company to many buyers, that is, to the general investing public.

Thus the Company sought the services of investment bankers who, by analysis, determined how the needs of the Company could be met under existing conditions in the money markets, and how Company securities would be received by the investing public. They were in position to perform their function as a connecting link.

Consequently, a group of 41 investment banking firms located in numerous cities through the country, purchased the common stock of Idaho Power Company for resale to the public.

This group of investment bankers was organized and managed by Blyth & Co., Inc., and Lazard Freres & Co., both of New York. Their interest was not to become owners of Idaho Power Company, but to distribute that ownership as widely as possible. The prices at which they bought and sold the stock were filed with regulatory authorities—they shouldered the risk of selling the shares.

Offering of the stock was made simultaneously throughout the United States. Hundreds, perhaps several thousands, of salesmen solicited orders for the stock. Not only in the financial centers, but in every city and town investors were given the opportunity to purchase the stock—all at the same price, whether the amount purchased was a few shares or many shares. When the results were finally compiled, it was found that the Company was owned by 4,327 common stockholders which included individuals, trust accounts, endowment funds, insurance companies and all of the various kinds of investors. A large number of these stockholders are residents of the territory served by the company, and others are scattered throughout the United States.

Refunding Idaho Power Bonds

Subsequent to the distribution of Idaho Power Company common stock, a further need for investment banking services developed. The Company had outstanding 18,000,000 principal amount of bonds on which the annual interest charges amounted to $675,000. It became apparent that the credit of the Company and the money market justified a lower interest charge, even though the 3¾% rate applying to the Company's bonds at the time was considered low. The problem of refunding the indebtedness to effect an interest saving was a subject of consultation between the Company and investment bankers during the latter months of 1943. Again an analysis was made to determine the Company's financial position and the rate of interest to which the Company was entitled for this class of security, and the refunding was accomplished.

The annual saving (before taxes) resulting from bond refunding is approximately $154,900, the sale having been made to thirteen insurance companies which purchased the bonds for investment of policyholders' funds. While there are only thirteen bondholders directly, thousands of individuals indirectly have invested in the bonds because they are policyholders of the insurance companies.

Preferred Stock Re-financing

In addition to bonds, Idaho Power Company also has outstanding preferred stock in the amount of $6,058,700 par value. The annual dividends which the Company had been paying on this preferred stock amounted to $406,554. Much of this preferred stock was held in the territory served by the Company. Obviously, the only income the Company has is derived from its customers and it is out of this income that dividends are paid to stockholders. Thus, the management is in the position of an arbiter or trustee with an obligation to deal fairly with both investors and its customers.

The rate paid on the preferred stock appeared more than existing money markets demanded. After consultation with investment bankers and a further comprehensive analysis, a plan was put into effect whereby a new lower rate preferred stock was offered in exchange to the holders of the old preferred stock and only the unexchanged portion of the new issue was offered to the public generally. Such a refunding program could only be accomplished after investment bankers underwrote the entire issue of $6,058,700 under an underwriting agreement which provided a reasonable period of time for present stockholders to exercise their option of exchange, thus, during this entire period the underwriters subjected themselves to the danger of a break in the market. The Company could not have assumed such a responsibility and here again is bona fide evidence of the necessity of investment banking service. This re-financing was accomplished August 1, 1944, with a high percentage of the preferred stockholders exercising the option of exchange for the new issue and the balance of the issue was promptly distributed through investment banking channels to new preferred stockholders.

Maintaining Contact with Stockholders

Our experience has proved that the function of investment bankers is a valuable, constructive and wholly cooperative service in assisting the management in development and carrying out a sound financial program. Such has been the experience of all large industries and businesses where capital requirements are beyond the capacity of the local territory. Through no other means than the facilities of an investment banking group could the merits of Idaho Power Company been placed before investors throughout the country and the Company adequately and economically financed.

After the original financing was completed, management was confronted with the problem of maintaining a continuing contact in the various financial centers to insure a continuing acceptance of the Company's securities. In cooperation with investment bankers, meetings between Company management, trust companies and stockholders are periodically held in many cities, and thus investment bankers, trust companies and stockholders are kept advised as to Company affairs through these continuing contacts.

Such has been the experience of Idaho Power Company, and in hopes that we may help clarify in the public mind a sound economic justification for investment banking this article has been written. The history of American industry and business reveals that adequate financing precedes the expansion of industry and business and except as we have such expansion, we can never expect to develop a program of peace-time production with its resulting exchange of goods and services which will give full employment to our people, enable us to maintain our standard of living and start the orderly liquidation of indebtedness.

Ohio Brevities

(Continued from page 1274)

school district bonds maturing serially from 1946 to 1965, at a price of 100.15 for 1¼s at a net interest cost to the issuer of 1.24%. The bonds were not reoffered immediately.

* * *

Purchase of $200,000 Akron school district bonds was made by Fahey, Clark & Co.; Hawley, Shepard & Co., and First Cleveland Corp., for which the group paid 102.17 for 1½s and reoffered the bonds at prices ranging from .50 to 1.35%. The interest cost to the city was about 1.31%. Bonds mature serially from Dec. 1, 1946 to Dec. 1, 1967.

Akron's school debt on Jan. 1, 1931, stood at $10,376,000 and has been whittled to where it now totals $2,500,000, or a decrease of 74%. Proceeds from the sale will be used for school construction.

Albert Francke Dead

Albert Francke, a member of the New York Stock Exchange firm of Carlisle & Jacquelin, 120 Broadway, New York City, and a former governor of the Stock Exchange, died at his home after a long illness. He was 74 years old.

Mr. Francke was a member of the New York Stock Exchange from 1902 to 1927 and a member of its governing board from 1910 to 1913. He was formely a member of L. J. & Albert Francke; of Francke, Thompson & Robb; and Harris, Winthrop & Co., Stock Exchange houses.

Mutual Funds

A Note of Caution

The Trustees of **George Putnam Fund** sound again a note of caution in their current **Portfolio Review.** During February the managers of this Fund continued their policy of shifting the portfolio gradually to a more conservative position. As of March 1, the common stock portion was equal to approximately 50% of the total fund, compared with 59% at the year-end and 51% on February 1.

"During the first two months of 1945," write the Trustees, "investors purchased more shares of the fund than in any previous comparable period. This is particularly interesting to us because it is another bit of evidence that there is a great deal of investment money looking for something more secure and less exciting than a cross-section of common stocks."

Total assets of George Putnam Fund approximated $12,353,700 on March 1, compared with $11,181,000 at the year-end.

The Major Trend

Keystone Corp., in the current issue of **Keynotes,** reproduces the long-term chart of the Dow-Jones Industrial Average. This average has developed a pattern which forms a broad "channel" between the approximate highs and lows of major swings. Keystone Corp. has labeled the top of this channel "selling range" and the bottom "buying range."

"At the present time, the indicated bottom of this channel is 120 and the indicated top is 240." With the average currently around the 160 level, it would thus appear that the current bull market still had a long way to go.

Accent on Management

Distributors Group, in a current letter to dealers, points out that the major function of **Group Securities, Inc.,** is "not just to help you sell securities but to help you manage your customers' investments."

"With Group Securities, you have available 22 separate group investments. We give you our opinion as to their relative undervaluation. You use these group investments as tools with which to manage your customers' accounts."

The wide range of these "tools" is evidenced by descriptive folders on two of the extremes—**Investing Company Shares,** which is speculative dynamite, and **Institutional Bond Shares,** comprising New York State "legals." The Investment Report—listing all of the classes—was also included in the mailing to show the full range between these two extremes.

First Mutual Trust Fund

National Securities & Research Corp. has issued a new folder on **First Mutual Trust Fund,** listing the assets held as of March 1, 1945. In a covering letter, this sponsor refers to Barron's comparative performance study of the 10 leading general management and balanced funds for the year 1944. In the Barron's study, First Mutual Trust Fund ranks fourth with an advance of 25.9% for the year, as compared with 25.6% for the Dow-Jones Composite Average.

Opportunity

"Opportunity Knocks . . . Six Times" is the title of a new folder on **Diversified Speculative Shares** recently issued by **Hugh W. Long and Company.** Six factors are listed, any of which may bring about an advance in securities prices. These are pent-up demand, expansion, growth, volatility, depressed prices and effective reorganization. The pamphlet states: "You can participate in these six kinds of profit opportunities through one holding in Diversified Speculative Shares."

The discussion includes a tabulation of the tax advantages of profits over income, and an outline of the principles of management of Diversified Speculative Shares.

Low-Priced Stocks

Lord, Abbett, in the current issue of **Abstracts,** discusses the recent steps taken by the New York Stock Exchange to eliminate margin trading in stocks selling under $10 a share. The sponsor points out that most mutual fund shares are relatively low-priced but that such prices are no reflection on the quality of the issues held. **American Business Shares,** for example, is currently priced around $4.35, whereas the average price of the 93 portfolio securities is: bonds, $92; preferred stocks, $92; common stocks, $36.

For **Union Common Stock Fund** the current price of approximately $8.20 per share compares with an average price of $21 for the 27 portfolio issues.

A similar comparison holds for **Affiliated Fund,** with a current offering price of approximately $4.84 a share. The average price of the 74 portfolio issues is: bonds, $90; preferred stocks, $93; common stocks, $28.

On the performance side, these three funds in the past year all did considerably better than the Dow-Jones Industrial Average. As against a gain of 18% for the Average, American Business Shares was up 24%, UCS, up 38%, and ACES (with its leverage), up 43%.

Research

Selected Investment Co., in the current issue of "These Things Seemed Important," reproduces a chart showing the growth in employment of research personnel in various industries over the past two decades. The expansion in research activities revealed by this chart is truly amazing and is probably one of the big reasons why this country is able to outproduce the world. **It is also one of the reasons why investment in American industry is a sound investment.**

H. C. L.

The first two issues of **Distributors Group's** new publication, "Investment News," stress various aspects of the High Cost of Living and emphasize the commonsense conclusion that, "during inflation, as at any other time, **market price follows earning power.** Not all common stocks provide a refuge from inflation losses—only those stocks whose earnings advance."

Stocks of the type held in Steel Shares, Railroad Equipment Shares and Railroad Stock Shares are cited as notable for their undervaluation at current market levels and the high income return they now provide.

Increased Commission

Hare's Ltd. has announced a 20% increase in the dealers' share of the distribution charge on **Institutional Securities,** with discounts on a reduced basis for larger purchases. Effective March 14, 1945, dealers are to receive 6% of the total 8⅔% distribution charge, as compared with 5% previously allowed. This holds for single sales up to $50,000. The load thereafter is reduced step by step to a total of 3%, with 2% for the dealer, on sales of $250,000 and over.

Speculative Stocks

Vance, Sanders & Co., in the current issue of **Brevits,** examines speculative stocks for variation in performance and finds that there is even greater variation among stocks of this type than among the high-grade issues. The 1944 performance of the 30 most actively traded, low-priced, speculative stocks on the New York Stock Exchange is shown. On average, these stocks rose 57.2% during the year. However, percentage changes ranged from a gain of 360% for Graham-Paige to a loss of 16.7% for Commonwealth and Southern.

* * *

Mutual Fund Literature

Keystone Corp.—A revised edition of the folder for trustees, trust officers, bankers, institutions, corporations, giving information pertaining to **Keystone B-1. . . . Selected Investments Co.** —Current portfolio memorandum showing diversification of $10,000 in **Selected American Shares. . . . Hare's Ltd.**—Revised folder on **Institutional Securities, Ltd.,** Pertinent Facts to Remember in 1945"; new issue of **Current Considerations.**

How Labor Views Patent Abuses

(Continued from page 1260)

Because of the importance of invention and discovery to the industrial progress of the country, the authors of the Constitution delegated authority to Congress to promote the progress of science and the useful arts, by securing for a limited time, to authors and inventors, the exclusive right to their writings, discoveries and inventions. On this foundation our patent system is based. Regardless of whether a patent right is considered a public franchise, in the broad powers delegated to it, Congress may well regulate the use of exclusive grants to be exercised under patent authority in the public interest.

The welfare of the country as a whole, not the welfare of the individual inventor, is of primary consideration. The inventor is presumed to have produced something of public value. It is only in consideration of a public service rendered or to be rendered, that the Government has provided extraordinary privileges for the inventor.

It is said, "like begets like." So every invention carries with it the seeds of further inventions, not only because of improvements upon the original invention, but because of the new knowledge which every invention gives the public. Inventions too are unlimited. It is not possible that inventions can keep stride with knowledge, nor that science applied to industry may keep abreast of pure science. The field of inventiveness and of discovery, like pure science, is limitless.

However, great economic changes have taken place since the present patent laws first were enacted. A technological revolution has taken place. Then, too, new and larger forms of industrial organization have been evolved. Corporate rather than individual enterprises abound today in our industrial and commercial life. Vast industrial empires have developed and constantly have extended their influence and control and patents have contributed largely to that end. Consequently, earnings and incomes have risen to undreamt of heights. It is estimated that prior to the present war at least 50 patents have yielded in profits more than $1,000,000 a year, that 300 have yielded more than $500,000 a year; 500 to 800 have yielded from $250,000 to $500,000 a year; and between 15,000 to 20,000 have yielded more than $100,000 a year. Many of our patents are said to produce for their owners fortunes larger than they could ever hope to earn in salaries or wages. It is evident therefore that we have entered a new era in the field of patents which requires a new appraisal and evaluation both from the standpoint of the individual inventor and the public to be served.

Employee-Employer Rights to Patents

In our employment relations it is rather noticeable and regrettable that the rights of employer and employee with regard to inventions are not more fully and more accurately understood and more fairly administered. The law would seem quite clear that there is no obligation on the part of the employee to assign to his employer patents obtained for inventions made in the course of employment. Such an obligation can be created only by voluntary agreement, expressed or implied. Nevertheless, we find an increasing tendency of patent agreements being required of employees as a condition incidental to employment.

These agreements commonly cover all employees and require the employees not only to disclose all or any inventions made or conceived along the lines of the company's work and investigation but to execute documents essential and required to vest exclusive right to ownership and use in the company.

While there seems to be a trend toward liberalization of compensation policy in this regard, nevertheless such requirements as a condition precedent to employment are wholly unwarranted. In most instances they do not express the free will of the employee. Such requirements fairly may be said to involve an undue, if not coercive element in our employment relations. This practice does not permit that freedom of contract which rightfully should prevail.

Patent laws designed to protect the individual inventor against exploitation and promote the public good may, and, in many instances, have had contrary results. In some instances they have been used to exploit the general public by circumventing the anti-trust laws. Obviously, patent laws are designed to protect the "owners" of patents as well as the inventors. Thus it has become possible for an entire industrial organization to own all the patents necessary for an entire industry. It can then license others on terms which give it control of prices as well as production. Naturally, limitations came to be placed upon such practices by legal decisions on the pooling of patents.

It is urged that the disclosure of agreements dealing with patents would minimize the abuses which arise by virtue of secret, improper and even illegal agreements. Undoubtedly, the recording of all such agreements would lessen the abuses now practiced. It is doubtful though, whether such recording would in itself prevent these evils and abuses.

In addition, it never was made clear just what constituted a patentable invention. This has led to much confusion and adroit maneuvering. Infringement suits are costly and uncertain. Operating under forces which make it one of the instruments of organized control over industry, this uncertainty as to what is or is not a patentable invention and the possibility of infringements upon it has become a combination of law and of mechanics under which almost any results might be achieved. Certainly the public good is not advanced or protected under such circumstances.

To prevent such abuses and manipulations it is urged that the term of patent be reduced to 20 years from date of filing in the Patent Office. While the reduction in the term of patent protection may lessen some evils due to these practices, it is questionable whether such reduction would go to the root of the evil.

Then, again, the practice of corporate enterprise hiring men to make inventions as their agents has increased in recent years. Thus the patent laws, designed to protect individual inventors, have become effective instruments in evading the real objective of these laws and have provided an effective means of escaping the disor-

Dividends

Commonwealth Investment Co. A dividend of 6¢ a share payable on April 2 to stockholders of record March 14.

First Mutual Trust Fund—A quarterly dividend of 8¢ a share payable April 15, 1945, to shareholders of record March 31. Also a special fiscal year-end distribution of 20¢ a share from net realized profits payable April 26, 1945, to shareholders of record April 23.

ganizing force of too logical an application of the anti-trust laws.

Use and Misuse of Patents

It was also alleged at one time in the councils of the American Federation of Labor that under guise of protective features of our patent laws many useful and valuable inventions were either unused or misused and that monopolies thus had come to profit a comparative few of our citizens instead of benefiting the many. It was urged that our laws be so amended as to require holders of American patents to so work and operate them as would result in actual production within the United States of the article disclosed in such patents in reasonable quantities and within a reasonable time. The American Federation of Labor, while quite unprepared at the time to reach a definite and final conclusion, did direct further study, inquiry and improvements.

While it is alleged that practical considerations made such a requirement undesirable, nevertheless some 85 nations of the world do require that patents issued by them must be utilized. At least they require that patented articles must be produced in the country which issues the patent. Failure to do so can lead to revocation of the issuance of a license to others to manufacture or produce under such patent.

It is interesting to note here that while the National Patent Planning Commission, in its report of 1943, states that "it would not be advantageous to incorporate such a general system in our patent laws," meaning compulsory licensing, nevertheless the Commission recommended a statutory provision as being essential and necessary to the national defense, or required by the public health or public safety. This is a direct admission of the validity of the principle involved, and indicates that its application is a matter of discrimination and judgment. If, therefore, such a principle and practice is sound and is required by the public health and safety, may it not also be said to be sound and essential as applied to our public economy—the public welfare—the public well-being?

Foreign Use of American Patents

It is being recognized generally that industry the world over is becoming more and more Americanized. The penetration of European industry by American inventions is one of the outstanding features in recent years. To a great extent this penetration has been made possible by the protection accorded inventions. It is said in some cases that Europe has held more promise to American inventors, or owners of patents, than America itself.

It is alleged also that because of compulsory license features of patent laws of other nations American manufacturers and owners of patents have found it desirable, if not necessary, to manufacture abroad. Surveys made and statistics compiled by Government agencies indicate that branch factories have been built in foreign countries, that licenses have been issued to producers in foreign countries to produce articles, the patents upon which were granted in the United States. Regardless of whether this practice is attributable to foreign patent laws, the fact remains that such developments do have a deleterious effect upon our own economy, and do affect our domestic investors as well as our workers.

With the world demoralized from an industrial point of view, and with the greatest world demand for durable goods for machine tools ever experienced; with practically no financial resources to assure prompt purchase payments, either by foreign governments, groups or individuals or a combination of the two, it is reasonable to assume that American capital will be attracted primarily in the establishment of original or branch factories abroad, or associate itself with foreign capital in so doing. Undoubtedly one of the outlets for international investment will be the supply of foreign demand. It is equally certain that in time such investments and establishments of factories abroad will be used to market the goods so produced on our domestic market which, in the final analysis, is the most lucrative market in the world.

Such a situation is not inconceivable. This sort of development had its origin even before the war, and has made considerable progress up to Pearl Harbor. With impoverished labor throughout the world, the danger of such dormant tendencies is greatly increased.

Labor of America is fully aware of these possible consequences inherent in post-war developments and in which the patent laws of the world will play an important part.

Together with these features of our patent laws, inherently related to them, exist American tariff provisions which at present restrict the importation into our country of any patent or trademarked article without the written consent of the owner or holder of the trademark. Under these provisions, the owners or holders of American or European patents not only may deprive American workers of opportunities of employment, but the American public may also be required to pay a greater price for the foreign-produced article than the owner or his license may require for the same article by peoples of other lands.

Furthermore, America now is asked to enter an era of surplus production in order to meet the immediate demands of a devastated Europe and Asia. We have been told that a surplus production economy will provide employment approximately to 60,000,000 of our working population. Surplus production for the next few years will be welcomed by these devastated lands. It may prove helpful in meeting our own immediate re-employment problems due to reconversion. Nevertheless, with foreign industries newly equipped with automatic machinery managed by modern American methods, with low labor standards prevailing abroad, we may well, in subsequent years, find that foreign patent laws with their compulsory license features will contribute greatly to the curtailment of the foreign market for surplus American production.

Organized labor is not unmindful of future disastrous results likely to follow. It is seriously disturbed by the possible consequences of some of our proposed post-war plans, in which patents as well as other trade barriers are involved.

Patent Control Under Changing World Conditions

Perhaps the most important of all questions is the one embracing the future world of patents in the changing relationships taking place among the governments of the world. There is no doubt that post-war Europe will become increasingly collectivist. Private capitalism, as we Americans understand the term, is on the decline in the rest of the world.

As collectivism grows in strength so parliamentary and democratic governments diminish in power and influence. *Undoubtedly exports and imports as well as patents will come under even greater governmental control.* With more strict Government limitation, if not restriction, imposed on private ownership, what condition will govern? It is evident that our system of patents will be seriously affected and must be modified to meet changing world conditions and relations.

In this regard, the Russian situation is particularly interesting. The Russian patent system, like all Russian activity, is designed to strengthen the totalitarian controls which obtain in that country. To that end all the resources of the country are exploited. There is no room in the Soviet system for investment of foreign capital. Its requirements from the outside world are limited to obtaining assistance in accordance with the best known practices for organization and operation of business establishments.

The industrial system, then, is dominated by the Government so that there is no opportunity for private individuals to engage in privately owned enterprises, and to make a private profit. All profits accrue to the Government.

While the Russian patent system may follow in form the patent system of other countries, this is probably only because Russia has not yet devised a patent system entirely satisfactory to Soviet domestic economy.

Like any other patent system, it is designed to encourage invention by its own people, and to encourage foreigners to disclose their inventions to Russia and to make them available to it for use.

The Russian patent system embodies one feature not found in systems of other countries in that it provides means to enable inventors to exploit such of their inventions which are considered of utility to the national economy.

A planned national economy such as that of Russia does not provide for private economy. This patent system which, by its very nature, sets up private enterprise, is designed to put the central government in control of any rights which are granted, so that no power over industrial organization can remain in the hands of private individuals who might thereby guide, to some extent, the national economy. This has been accomplished by a series of simple expedients, harmless enough in appearance, but which readily can be administered in such fashion as to gain the desired result.

If a patent holder in Russia is to dispose of his patent rights, he must do so to a government-owned industry, there being no other industries in Russia. If a foreign citizen or industry is to dispose of his or its invention, they can only dispose of it to a government industry only if the Soviet Government deems it necessary or useful to the national economy, and then it must be done within three years. Otherwise, a compulsory license will be granted and the price of the invention is fixed by a government board of arbitration.

Where the government industries are unwilling to wait three years to acquire an invention, they may arrange for its purchase on terms satisfactory to the patent owner. However, this system precludes the possibility even of preventing the use of the invention for any length of time, for example, to permit the patent owner to import materials into Russia or to prevent the Russians from duplicating it if they saw fit.

In other words, the patent system of Russia, which will serve as a pattern and guide for other countries, particularly those coming within the sphere of influence of Russia, will leave a foreign person or industry entirely to the tender mercies of Russia. Foreigners only can deal with Russian industries at their own risk. Only where Russia is anxious to acquire foreign technical service, patents involving material or processes used in connection with such technical assistance may Russian controlled products be sold under negotiated and, in instances, fair terms. Likewise, where an article is imported and not manufactured in Russia, a foreign patent holder in Russia gains an advantage over a competitor attempting to sell an infringing article. On the other hand there is no possible way in which he can prevent the use of his patent, or even dictate the manner in which it may be used.

Conversely, we here in America are the only nation which offers freely and without limitation to Russia, and to all other nationals not only the opportunity for exclusive production rights. We also grant them the opportunity for the exclusive control of our home market in which to exploit patented inventions to the great detriment of our home industries, workers and the public generally.

Patent System Needs Reappraisal

In the light of post-war possibilities it would be well to re-appraise the whole of our patent system.

We quite agree with the National Patent Planning Committee in its comments upon our present patent system, when it says: "As with any system of long standing, conditions arise which were not foreseen at the time of its establishment." We concur in the recommendation of the Commission that "the American patent system should be adjusted to meet existing conditions without destroying its basic principles."

We urge, however, that the basic principles should be so applied as to assure the distribution of benefits of patented inventions to all of our people and not permit manipulation and abuses which result in the enrichment of a comparatively few. We urge also that our patent system be so constituted and administered as to assure the perpetuation of our free enterprise system, and not permit of its use as a means of developing great private monopolies or empires which, with tendencies of unrestraint, ultimately can result only in undermining and destroying our American democracy and our American way of life.

The security and perpetuity of our freedom, free enterprise, and our free labor must not be sacrificed for immediate profits.

To that end we favor a thorough unbiased and unprejudiced study and inquiry of this whole subject and the enactment of laws which will provide for a constructive and progressive system of patented enterprise.

The Securities Salesman's Corner

Handling a Sell-Out

By JOHN DUTTON

There are times when it is necessary to call the attention of customers to the fact that certain securities have reached a level where disposal is indicated. It is always a more difficult task to pick the right time to sell than it is to buy. Especially is this true, if the customer has a limited knowledge of values, market experience, and of trading ability. An experienced investor expects to make mistakes, the inexperienced have yet to learn this first lesson regarding successful investment.

From the standpoint of the salesman, there is only one way to guard against future criticism, in the event you are wrong and the security that you have advised your customer to sell moves higher—that is, BE EXPLICIT. Regardless of how little or how much experience your customer has had in handling his investments, if you give him the reasons why you believe a sale should be made, you will eliminate a large possibility of future criticism, in the event that a particular security moves higher after you have sold it out.

There are always legitimate reasons why securities should be sold, just the same as there are reasons why they should be bought. When you believe it is time to get out, marshall your facts and present them carefully and logically to your customer. Memory is short. That is why you should make your points, your reasons, and your deductions so factual and clear, that six months after you have had the discussion you can always go back to your original premise and remind your client that regardless of where his stock or bond went after he sold it—he still was well advised.

It is just human nature that people seem to take all the credit for their own profitable ventures in securities, and pass on all the complaints to their broker or their securities dealer. If you allow your customers to do this, they'll get away with it if they can. There is no better way than this to lose the respect and the confidence of a customer. It is much better to make one point absolutely clear right at the start. Neither you nor your firm is infallible. You expect to make some mistakes. But these mistakes will be held to as small a percentage of correct and profitable recommendations as is possible. That it is the "overall performance" of your customer's entire portfolio that counts. That safeguarding principal in times like these is one of the most difficult tasks, let alone increasing it—but you can only accomplish this end, if your **customer works with you** and understands the objective in view.

Once you have established this basis of mutual understanding with your clients, you can then go to them and discuss specific securities which you believe should be sold out of their portfolio, on an entirely different basis than if you just advise taking a profit. If you are wrong and the market moves higher—your customer will never thank you for being wrong—of this you can be certain. But if he knows that in the long run of things, your policy of protecting paper profits, watching for internal weaknesses in specific holdings or for changes in outside circumstances that might affect values WILL HELP HIM TO SAFEGUARD PRINCIPAL AND MAINTAIN HIS OVER-ALL POSITION IN A WELL-BALANCED LIST OF SECURITIES, then even when you are wrong, your customer may bark a bit, but "his bark will be worse than his bite."

War Production Past and Future

(Continued from page 1259)

ment to me that they had not been made public before.

When I told Paul this, and told him that I was to see the men of Rotary here today he generously agreed that I could give out these figures, together with some warnings, and some critical interpretations, so that no one—when he heard these figures—would drift off into some comfortable dream that just because the country has accomplished one production miracle, our job is finished.

I want to try to prove to you in these few minutes that, much as we have done in the past, our job really is just beginning. I don't say that as a pious platitude. You read the newspapers, as I do. You know that in Europe it is possible we may be seeing the beginning of the end, but in the Orient, regardless of the brilliant achievements of our military forces—Army, Navy and Marine—we are still witnessing incidents, not finalities. There is still a desperately serious job to be done, and no man can see the end.

Do you all remember that evening soon after Pearl Harbor—Jan. 6, 1942—when President Roosevelt—that dreamer in the White House, who had never met a payroll—issued his call for 60,000 planes, 8 million deadweight tons of shipping, 45,000 tanks?

How many of us here thought it a terribly high goal to set? Maybe some looked on it as a usual American exaggeration—all right to hope for and maybe frightening to the enemy—but not very realistic.

Well, today I can tell you that since July 1, 1940 and up to the first of this year, we have produced 246,845 airplanes of all types. These have a total airframe weight—and weight is really a more accurate measure of airplane production than is number—of 1,992,587,000 pounds. Of these, 28,471 have been heavy bombers having a total airframe weight of 607,899,000 pounds. In merchant vessels we have produced 45,384,000 deadweight tons of ocean-going cargo ships. Of naval vessels there have been constructed no fewer than 56,697. Think of that!

Of machine guns we have produced 2,422,099, and of rifles, 5,942,385. We have produced 5,163,826 carbines and 1,926,405 submachine guns.

The President wanted 45,000 tanks. Well, we have actually turned out 75,000 tanks, and 130,017 tank and self-propelled guns to go with them. We have turned out 55,252 field artillery weapons, 8,669 of them over 105-mm. We have produced 110,945 trucks over 2½-ton capacity and 658,523 light-heavy trucks.

We have produced 37,198,000,000 rounds of small arms ammunition. We have produced 2,927,502 short tons of ground artillery ammunition; 4,130,000 short tons of aircraft bombs, 59,646,000 grenades.

Our communications, radio and electronic equipment represent a combined cost of $9,405,000,000.

Here is the full list of figures:

Cumulative Production of Selected Munitions Items July 1, 1940-December 31, 1944

Item— Unit		Cumulative July 1, 1940 thru Dec. 1944
Aircraft		
All airplanes, number		246,845
Airframe weight		1,992,587,000 lbs.
Heavy bombers, number		28,471
Airframe weight		607,899,000 lbs.
Fighters, number		79,776
Airframe weight		412,589,000 lbs.
Transports, number		19,547
Airframe weight		192,356,000 lbs.
Ships		
All naval vessels (bureau ships), number		56,697
Displacement		6,871,000 tons
Combatant ships, number		1,091
Displacement		2,985,000 tons
Landing vessels, number		51,364
Displacement		2,543,000 tons
All maritime vessels, number		4,631
Deadweight		45,384,000 tons
Dry cargo, number		3,114
Deadweight		32,135,000 tons
Tankers, number		634
Deadweight		9,105,000 tons
Military types, number		519
Deadweight		2,321,000 tons
Army Ordnance and Vehicles		
Material and Vehicles—		
All machine guns	each	2,422,099
All rifles	each	5,942,385
Carbines	each	5,163,826
Submachine guns, all types	each	1,926,405
Army antiaircraft guns	each	48,952
Tank & self-propelled guns	each	130,017
All field artillery (ex. spare cannon)	each	55,252
Over 105-mm (ex. spare cannon)	each	8,669
Mortars (including 4.2-inch chemical)	each	71,124
Tanks, all types	each	75,204
Armored cars	each	14,767
Heavy-heavy trucks (over 2½-tons)	each	110,945
Light-heavy trucks (2½-tons)	each	658,523
Ammunition and Bombs—		
Small arms ammunition		37,198,000,000
Aircraft gun ammunition		337,046,000
Ground artillery ammunition (short tons)		2,927,502
Ammunition for guns over 105-mm		21,825,000
Motar shells		73,067,000
Aircraft bombs (short tons)		4,130,000
Land mines		21,910,000
Grenades		59,646,000
Communication and Electronic		
All communications and electronic equipment		$9,405,000,000
Radio		4,459,000,000
Electronic equipment		2,827,000,000

Now these are some stratospheric figures; no country has remotely matched them and every American may justifiably feel pround of his country, that in four years became such an arsenal. Now I can imagine that somebody may be saying: If we have produced at that rate and if we are continuing to produce at a rate—which is approximately the case—equal to the present combined total production of all our Allies and enemies, why can't we start talking about reconversion to civilian goods?

Well, we were in some mighty serious trouble in November and December. I doubt if the true situation ever was widely understood but as long as I am dealing in news here today I might as well discuss it.

Late last summer and early fall many of our people thought the war would be over in Europe by November or December. Civilians were not the only ones who thought so. Many of our military leaders, as you remember, went on record to the same effect.

In WPB we had some rather extensive plans for reconversion for the country. And we did quite a bit of reconverting of our own. At one time we were issuing spot orders for return to civilian goods manufacture of 1,000 a week.

In WPB and in the military constant pressure was kept up for continued production of orders on hand, but there was a fairly widespread slowing down in placing new orders for many things. Partly, this is because the military expected the fighting in Europe to end soon, and partly because battle experience was causing them to turn to new models in many of their requirements and they did not have, at that time, their completed plans and specifications for all the new models.

But the effect of this on the average manufacturer was obvious. I recall myself making one of my infrequent visits to the Philadelphia plant that I left when I entered the Government service; I remember that the manager there let me look at his backlog of orders and pointed out to me how they had been shrinking. He told me that as a consequence he was cutting back on his orders for new steel, which seemed to me like the obvious thing to do.

That sort of thing went on quite widely in industry. I suppose it is responsible, among other causes, for our present very stringent situation in steel. Everywhere buyers were cutting back so that when the end came, they would not be caught with surplus inventory. In the meantime, the augmented Pacific campaign, including the landings in the Philippines, got ahead of schedule, and its very speed was an added drain on supplies.

Moreover, no sooner had these cutback plans begun to take shape and most of us started thinking about the good old days, than the Germans suddenly stiffened. Then came the Ardennes break-through.

There we were, involved up to our necks in an all-out, two-front war, suddenly grown desperately serious, and with much of our war production here gradually slumping off, with manpower daily growing tighter.

With this picture I think you can understand why we at WPB seemed a little bit frantic in our outcry for production a few weeks ago. It was, and is, serious. More goods in many critical items, but particularly ammunition, heavy guns, combat vehicles, tires, bombs and rockets, must be available and quickly. The next point I want to get over to you is that we must learn a lesson from this recent experience.

We must not underestimate the Japanese any more than we have now learned not to underestimate the Germans. We have got to get our domestic production up to the necessary level immediately and, gentlemen, we have got to keep it there until the very last shot is fired. My experience with our thinking and talking about reconversion early last fall leaves me with the feeling, much as I regret to have to say so, that this is no time to be even talking about reconversion, and I'm convinced that we've got to be much more cautious in talking about it in the future.

Such thinking and such planning—and I wish this were **not** so—seems immediately to reflect itself in less energetic war production. Most of us believed for a long time that we could carry forward two jobs at once—think reconversion while producing all-out. We tried and we couldn't do it. I don't want to sound too much like a pessimist. I am just speaking to you with deepest sincerity from the basis of our actual experience.

I am a little proud in my own mind that I never set a date for the end of the German War. I am not going to set a date for the end of the Japanese war. I read the good headlines with great interest and much delight but there are three things about the Japanese that must not be overlooked: (a) The Japanese land army is numerically today just about as large as the German army was at its peak; (b) the largest portion of the Japanese army and what is really their "first-team" army is still up north in Manchuria; (c) they are still a desperately dangerous enemy with completely unknown powers of continued resistance.

Our present naval operations and victories must certainly be preliminary to big military landings somewhere, at the end of supply lines three times as long as those that have separated us from the Germans, and lacking an advance fortress base such as we had in Britain, we must conduct a land war, possibly of a scale comparable to that we have waged in Europe, at that tremendous distance.

I have no crystal ball. I cannot pretend to tell you what is coming. I only say that in war it is best and least expensive to prepare for the worst. The war in the East may be a much bigger affair than many of us have supposed. This means a bigger, and a different, production job.

Our war factories are today turning out weapons that are not the same as the weapons we were producing only a year ago. The pattern is generally larger and always better. I can tell you that our military men may not use much of the equipment they have employed in Europe against the Japanese. Secretary Stimson says they will use what they can. But men fighting in the tropics and in many parts of the Orient require, as you know, different clothing than men fighting in northwest Europe. Weapons designed for the fairly good highways and rail transportation of Europe are not necessarily adapted to the primitive conditions of the Far East.

Further than that, just the mechanical job of cleaning up, repairing and packing much of the equipment, which we have been using in Europe, so that it could be shipped to the Pacific is an appalling job and to a very considerable degree simply not practicable. Anyone who has been through the business of assembling materiel and spares at the point of production for use abroad will understand that situation only too well.

I think the inevitable result must be therefore that as we move to the Orient from Europe, our Army and Air Force will have to be pretty completely re-equipped. This is another part of the big job ahead of us.

Another point that may interest you here in this largest embarkation port in the world is that your burden of transportation and shipping may not be substantially reduced. Many have thought that as the war moved to the Pacific that our West Coast ports would bear the full impact. This is not necessarily the case, and for a number of reasons.

One of these is that you can count the trunk rail lines running over the Rockies on not too many fingers. You know the ports of the West Coast, and their capacity. They are already chock-a-block. Indeed, the seventh fleet, which is Admiral Kincaid's fleet, operating off the Philippines is already being supplied in considerable part from Bayone, N. J.

Another reason has to do with distance. Sometime, just for fun, lay a string on a globe from Chicago, or any point east of Chicago, through New York, to Gibraltar, through the Mediterranean, Suez, the Red Sea and the Indian Ocean up to Manila.

Then, run another string from Chicago, or whatever city you choose, over the Continent, through San Francisco, along the Pacific sea lanes to the great depots in Australia and thence northward to Manila.

You will find your string through New York is the shorter. You men of New York are to be key figures in the war for some time to come. I can promise you that.

I remember last summer Donald Nelson, Charlie Wilson, Cap Krug, and myself were thinking in terms of a 40% reconversion at the end of the German war. Today whenever we think of those cut-back figures at all, which I can assure you is rarely, our most optimistic figures for post V-E Day reconversion is 20%, and certainly I don't see that ahead for many months. All-out production up to the moment of the firing of the last shot inevitably means that we shall end with vast quantities of surplus goods. I have heard estimates that these goods will range in cost from $25,000,000,000 to $50,000,000,000.

We are going to be criticized for having overbought. One of our top generals told me one day that after the war he was going to try to find a nice little house up near the Capitol, because he knows he will spend the next five years explaining to one Congressional Committee or another why there was such a surplus. Well, I have explained to you why we must produce up to the last shot. It's an inescapable concomitant of well planned war. You might as well face the fact now and not cry about it later.

We went through all this once before, you remember. Back in 1921 a House Committee had Charlie Dawes before it. Charlie, of course, had been the purchasing agent for the AEF.

The scene was described to me the other day. All morning Dawes squirmed in his chair, bit at his pipe, his annoyance getting beyond control. Representative Bland asked him, "Is it not true that excessive prices were paid for some articles?"

"Sure, we paid," Dawes rasped, "we didn't stop to dicker. Why, man alive, we had to win the war."

"Is it not true," Bland persisted, "that excessive prices were paid for mules?"

"Hell and Maria," Dawes exclaimed, leaping from his chair, "I would have paid horse prices for sheep if the sheep could have pulled artillery to the front!"

Well, gentlemen, I used some pretty big figures, $25,000,000,000 to $50,000,000,000, for the material that may be left on our hands when the shooting stops. That, of course, is purely a speculative figure. The point I am trying to make is that the necessity for all-out production, well past any possible military danger, will mean a certain inevitable amount of weapons and supplies left over. What we are asking is that our production people — our working men and women, our plant managers and owners—paddle the canoe right up to the brink of the waterfall. This means we must provide some shock absorbers for labor and management, financial and other help for workers if they need it in making the transition from war jobs to peacetime jobs, contract termination provisions for management. We must resolve now not to heap blame on the supply officers and production men who are ordering the material and getting it out. These all add to the cost of the war.

And it is likely that we shall end up with a lot of planes in which the aluminum is not worth melting down for the one-half cent a pound or so it will bring. Certainly we shall have a great many tanks that we won't know what to do with; we may have ships rusting at anchor, and have on our hands thousands of other items necessary in war but valueless in peace.

Yes, the price of all this may be big; but it is part of the cost of victory. And, gentlemen, in the quickest possible winning of that war we shall have saved the civilization of the world.

Anchor Hocking Glass Preferred Marketed

Kidder, Peabody & Co. and Hayden, Miller & Co. on March 21 offered 70,000 shares of Anchor Hocking Glass Corp. $4 cumulative preferred stock, (no par), at $107 a share plus dividend.

The corporation is offering to holders of its 34,436 outstanding shares of $5 dividend preferred stock the right to exchange such stock for new $4 preferred stock on a share-for-share basis, plus $3 in cash. The cash payment represents the excess of the redemption price for the $5 preferred stock over the initial offering price for the new share. Outstanding preferred shares not exchanged will be redeemed at $110 a share and accrued dividends. The underwriters agreed to purchase any of the 34,436 new shares not issued under the exchange plan and 35,564 shares not reserved for exchange. The exchange privilege expires March 30.

Slaughter Horne to Admit

Slaughter, Horne & Co., 66 Beaver Street, New York City, will admit Bernard Colodney to partnership in the firm as of March 29.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1264)

Jones & Laughlin between 28 and 29; stop 27.

Phelps Dodge between 26 and 27; stop 25.

U. S. Rubber 54-56; stop 53.

* * *

You already hold a number of stocks. Here they are with the prices you bought them and the stops:

American Steel Foundries was bought at 28. Current price is about 31½. Hold it with a stop at 29½.

Baldwin Locomotive, bought at 26 is now about 29. It too should be held with a stop at 28.

Crucible came in at 38. Currently it's about 44. Acts okay. Hold it with a stop at 42.

National Lead was bought at 26. It hasn't done much since. Current level is just a fraction or so above 26. Lead's stop is 24.

* * *

So much for the stocks you hold, and the ones you may get before the week is over.

* * *

The news during the week wasn't much to change the market picture. Inflation talk which has its ups and downs, seems temporarily to be muffled. It won't be muffled for long. It will come back into the news very shortly. How inflation will take hold, when as and if, is something else. This column can't protect you against the unknown. The best thing it can do, or at least can try to do, is to keep you from losing too much money. Perhaps it can even show you how to make some. If it does that it has justified its purpose.

* * *

There is another thing this column can't guard against—mob psychology. A rumor of a margin increase; a limiting of stocks which will be permitted margin buyers, all dealing with the mechanics of the market, can and do bring out selling. But seldom is this selling sustained or does it get far, assuming that the underlying structure of the market is unimpaired. More often than is generally realized a piece of news or a rumor comes at a time when a reaction is already indicated. When that is the case, and the column is aware of it, you get ample notice. But a public overtaken by fear or glee can take markets and make them do things that nobody can foresee.

* * *

A war and its problems added to post-war planning plus the complications of international economic and monetary policy can also swing the pendulum of mass opinion pretty widely.

To guard against all of them is practically impossible. The only thing this column can do is to watch the market and guide itself by what it thinks it sees there.

* * *

More next Thursday.

—Walter Whyte

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

Dealer-Broker Investment Recommendations and Literature

(Continued from page 1262)

Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available are memoranda on **Black Hills Power & Light, Empire District Electric, Missouri Utilities,** and **Southwestern Public Service.**

* * *

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

Chicago, Milwaukee, St. Paul & Pacific Railroad Reorganization—Latest developments—**Vilas & Hickey,** 49 Wall Street, New York 5, N. Y.

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

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

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

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.

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

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.,** 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.

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

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.

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

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

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

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

Mohawk Rubber 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, Bowser, Inc.; New Jersey Worsted, and P. R. Mallory.**

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

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

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

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

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

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

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

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.

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.

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.

Thomas Lynch Joins J. A. Ritchie & Co.

J. A. Ritchie & Co., Inc., 70 Pine St., New York City, announce that Thomas M. Lynch, formerly head of T. M. Lynch & Co., is now associated with them in their municipal trading department.

With Stifel, Nicolaus & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Bert A. Doering** has become connected with **Stifel, Nicolaus & Co., Inc.,** 314 North Broadway. Mr. Doering in the past was with Scherck, Richter Co., H. L. Ruppert & Co. and Peltason, Tenenbaum & Harris.

DIVIDEND NOTICES

CED Reports on the Bretton Woods Plans

(Continued from page 1261)

from this press conference as well as the full text of the Committee's statement:

Committee for Economic Development Press Conference

March 19, 1945

The Committee for Economic Development

Mr. Anthony Hyde (Director of Information): CED, as most of you know, is a business organization. It is non-political, it is non-governmental, it is independent from every other business organization, although it seeks to cooperate with both business and government in the sphere of planning for more post-war jobs.

It is supported by contributions from individual businesses. We have about 2,000 contributors. The average contribution is about $700. We will not accept more than $25,000 from any one contributor, so if any of you were thinking of giving us $50,000, we would have to respectfully decline the gift.

The CED is doing two kinds of things: It is stimulating individual business men to plan for expansion because we feel that unless business plans for that expansion, business by business, we would have little hope of getting the additional jobs that we need after the war.

In addition to that kind of work, we have a Research Committee which is studying the economic policies which will be necessary if the plans that business men are making for expansion will actually be able to be put into effect. Sometimes that is referred to as economic climate.

Mr. Ralph Flanders, who is going to conduct the conference today, is Chairman of our Research Committee. He will explain to you a little bit about how that Committee operates. I might just say by way of a quick introduction, that we have a Committee of Business Men. We have an Advisory Board of Economists and Social Scientists who advise them, and then we have a Research Staff, including what we call "project heads" who may be independent economists; that is, economists not attached to CED who are retained to make specific studies.

Mr. Flanders is going to start out by giving a little bit of background about the Research Committee and how it operates and a little bit of background on the Bretton Woods Proposals, and after that, just shoot the questions.

Mr. Flanders: I am glad some of you thought it worthwhile to come out here. I will say a word or two about the process by which the policy reports of this Research Committee are developed, because this particular report was worked out in the same way. Mr. Hyde spoke of the Committee itself. You have a list of them.

We are not representative; we are a group of individuals.

Eric Johnston does not speak for the United States Chamber of Commerce; neither I nor Chester Davis speak for the Federal Reserve Bank, and so on; we are a group of individuals, largely self-selected, because we had what the Quakers called "a common concern"; that is to say, we are seriously concerned about the problem of high level of employment in production.

Mr. Bratter: May I ask a question on the representativeness of the Committee? Is this Mr. W. L. Clayton the Assistant Secretary of State?

Mr. Flanders: He is, and he was a member long before he was Assistant Secretary of State. This is a mere incident in his career.

Mr. Bratter: I was wondering whether the State Department endorses your report.

Mr. Flanders: No, we hesitated to throw him off when he became Assistant Secretary of State. . . .

Now, this report we are going to look at this afternoon, is a portion of the report on foreign trade, and the specialist who wrote the monograph on that was Dean Calvin Hoover, Dean of the Graduate School of Duke University. He wrote a draft on two occasions during the preparation of that monograph on foreign trade. He sat in day long and night long consultation with this Committee of Business Men, the Research Committee, with the Advisory Group of Social Scientists, and with our Research Staff. . . .

I may say also that we have had the very great advantage of a number of guests, some of them have been with us almost from the beginning, particularly guests from the American Federation of Labor and the CIO. . . .

Bretton Woods Proposals

Now, the position that it seems proper for the country to take is that both the Bank and the Fund are needed instruments of international trade, and exchange stabilization; but we do feel that the work properly of the Bank needs to be strengthened to safeguard the Fund. There is one type, essentially, you can look at all of the operations of both the Bank and the Fund as loans.

In the operation of the Fund, under normal conditions with the world trade at a general balance, certain currencies would be short and they would be borrowed from the Fund. When those currencies again become plentiful in the borrowing country they would be returned to the Fund. That is essentially a borrowing operation, though not so named.

Besides that, there is the loan and borrowing operation set up primarily for the Bank of loaning for specific projects, which is also a very much needed international financial operation, but there is a third kind of loan which will also be necessary which is not specifically provided for either in the Fund or the Bank, and that is the type of a general stabilization loan for helping to stabilize and bring back into normal relationships of world trade the economy of a given country. . . .

Now, the fear has been that that type of loan might be taken up by the Fund, might be thrown into the Fund, instead of the type of loan which would take care of normal needs and fluctuations in currency.

If these funds were on a large enough scale, and if these stabilization loans were on a large enough scale and were all thrown into the Fund, it would seem that the fear is justifiable that the Fund might suffer from such operations, that scarce currencies, like our own, might be drawn on too heavily; that there might be pressure on us to put in more funds, and so on.

Really, this matter of stabilization loans is an orphan with no home to go to, except either to the Fund where it should not go, or to the Bank where no provision is made for it, so the suggestion we make is that the Bank be strengthened to permit the making of these stabilization loans, whose purpose it is to set the economies of the nations of the world in order, so that they do become normal members of the whole process of international trade, in which case, the stabilization fund will serve them normally by providing them with currency when they are scarce and returning the currencies to the Fund alternately when those currencies become in excess again.

Now, there are two ways in which this neglected type of loan can be put within the operations of the Bank. The preferable way is to strengthen the Bank by a clause in its constitution, if you want to call it the constitution, which will specifically authorize such loans. That is the right way to do it. The change does not seem to be a great one. The change is one which strengthens rather than weakens the institution, and it has seemed to us that it is one to which the signatory powers would willingly agree. There seemed to be no disadvantages in it, whatever, and it seems to be, on the contrary, full of advantages. So we urge that that be the solution undertaken for taking care of these stabilization loans.

There is another possibility which we feel is distinctly less desirable, and that is that a small and rather obscure clause in the set-up of the Bank, be administratively interpreted to take care of such loans. That clause states that "loans made or guaranteed by the bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction and development."

Now, in administration by interpreting those words "except in special circumstances" to cover a stabilization loan, it would be possible to bring these loans within the operations of the Bank. We feel, however, that that is distinctly the less desirable of the two solutions and that the first solution should be sought.

Mr. Leahey: Excuse me, sir, I was not quite sure whether the first solution would require inserting a new solution in the Bank agreement or obtaining agreement of the signatory countries that the phrase you refer to means what you want it to mean.

Mr. Flanders: That would be a way of doing it. Agree to have them do it administratively. "Special circumstances" includes the stabilization loans.

How Would the Proposal Affect the "Quotas"?

Mr. Bratter: Mr. Flanders, would this change involve changing the size of the Fund and the Bank? If you take away from the Fund these many intermediate-term applications for assistance which will come to it and give them to the Bank, you thereby reduce the amount of money which the Bank has left for real long-term loans, and you leave the Fund with a larger amount for a more limited function.

Mr. Flanders: That is a good suggestion, but my own thought would be that that change could be made later satisfactorily at any time, as one Fund would seem to be too large and the other not large enough.

Mr. Bratter: What I have in mind there is that this Bretton Woods Agreement is the result of three years of work by experts who have been working on very detailed quotas, taking into consideration all sorts of economic criteria; and there was a great deal of discussion at Bretton Woods as to the size of one or another country's quota. It was by the process of give and take, we have been told, that these quotas were finally established. It seems to me this interjects an entirely new element into those quotass, which in any case are already under criticism in some of the countries, with reservations to Bretton Woods.

Mr. Flanders: Yes, there are criticisms of the quotas being set up by any possibility which will not be subject to criticism, and in a way there is this major question of the over-all quota assigned to the Bank and the over-all quota assigned to the Fund. A year or two of operation might easily reveal that one was too large and the other too small, and you would have to arrange to shift from one to the other.

Mr. Bratter: Let me ask my question in a different way. Dr. White has testified on a number of occasions and stated in his press conferences that this Bank, as proposed at Bretton Woods, is an extremely conservative Bank, and he is opposed to any suggestion of making it smaller.

For example, the American Bankers Association report, which recommends that the Bank carry on both the stabilization and long-term lending operations, was rejected by Dr. White on the ground it would reduce the effectiveness of the Bank.

Now here is a proposal which would take away some of its long-term lending power and assign it to an intermediate class of loans which, if I understood correctly in the hearings, were to be at least in part taken care of by expansion of the Export-Import Bank.

Mr. Flanders: I would not be prepared to guess, nor I think would anyone be prepared to guess at the volume of this third type of loan, which I have described, which has no legitimate home at the present moment. It might be small enough so that they would not seriously reduce the lending power of the Bank. In any event, they would not reduce it anywhere nearly as much as would the proposal to take all the operations of the Fund away from the Fund and put them in the Bank.

Mr. Bratter: That would depend entirely on how long the intermediate or transition period went on. If it developed that not only Russia, as has been stated by one of the delegates to Bretton Woods [Mr. Edward E. Brown], but perhaps other countries would use the present funds for capital loans instead of short-term loans, you might find that there was quite a demand for this type of intermediate stabilization loan.

Mr. Flanders: Well, that intermediate type of stabilization loan should be stabilization loans and capital loans should be capital loans and should be made more or less freely where the conditions are good.

Mr. Edward E. Brown's Disclosure

Mr. Crider (N. Y. "Times"): May I suggest there seems to be apprehension. Mr. Bratter suggests that the Fund is authorized to make intermediate loans.

Mr. Bratter: No, I did not say it is so authorized, but Mr. Edward E. Brown, in the Journal of Business of last October, wrote that Russia will use the Fund for capital purposes.

Mr. Crider: But the official concept of the Fund, as I understand it, is that it would make no term loans at all.

Mr. Bratter: No term loans, but what Mr. Brown said was that, although the Fund has been established to make short-term loans for currency stabilization, Russia actually will use it for capital-goods purchases and that he thinks that is a cheap price to pay to reward Russia for her part in the war; but it is, as you suggest, directlyy in conflict with the stated purpose of the Fund.

What Is CED Committee's Position?

Mr. Finney: As I read your recommendations here, you are against the International Bank in its present form?

Mr. Flanders: No.

Mr. Finney: And you are against the immediate adoption of the Fund?

Mr. Flanders: No, we are not against the International Bank in its present form, and not against the immediate adoption of the Fund. We are looking for a home for this necessary activity which has no home.

Mr. Finney: Well, Mr. Flanders, the legislation is pending before the Congress.

Mr. Flanders: Yes.

Mr. Finney: And there are two possibilities. Three. One is to defeat the legislation, one is to amend it, which will call for a new conference.

Mr. Flanders: Not necessarily.

Mr. Finney: Well, the Treasury says that if there are any changes, we will have to have a new conference, some sort of parley would have to go on, and the third is to accept it.

Now, I was curious as to just how these recommendations fit with that. Just in simple terms, is the CED for Bretton Woods or against it?

Mr. Flanders: Have you left off beating your mother? We have a constructive suggestion to make.

Mr. Finney: Well, you recommend the approval of the International Bank for Reconstruction and Development, with, at an appropriate time, which would not delay its approval, that its powers be broadened. Now, where is the period? Do you recommend the approval of the International Bank for Reconstruction and Development, and then, I find no place in that statement of recommendations, where any recommendation is made by CED about the Fund, except in the last paragraph, where "We recommend certain functions of the Fund be carried on by the Bank and the establishment of the Fund be postponed."

Mr. Flanders: Unless the Bank is strengthened. Read those first words. We ask for strengthening of the Bank.

Mr. Finney: Well, if the Bank is strengthened—

Mr. Flanders: Then we recommend the Fund.

Mr. Elhait: In the first paragraph you say, could you further expand the basis of your opinion there?

Mr. Flanders: Because it is making the Bank more useful. It seems to me if we were proposing to weaken the Bank, if we were proposing to weaken this whole structure, then there would be great difficulty in carrying on any negotiations, but the gentlemen over here who made the suggestion that one way to get at it would be to get from all the signatory powers a definite interpretation of that phrase about unusual and special circumstances, in making that suggestion, expresses the comparative simplicity of the proposal itself. It needs no more than that, that it shall be understood that this type of loan should be considered as a regular part of the Bank's business.

Now, it can be done by describing the loan and writing in a new article, it can be done by agreeing on interpretation of that sort.

It makes no difference how it is done, so long as that kind of a loan finds a home in the Bank, and it ought to have a home there. That will strengthen the Bank. It strengthens the whole structure. . . .

CED Suggests Executive Session With Treasury

Mr. Elhait: Well, now, there is a clause here in your recommendation that says, "unless the Bank is strengthened, or unless there are weighty political or diplomatic considerations." Would you include in that a judgment by the Treasury and by Republicans in Congress as well, that an attempt to change this in a substantial manner would call for another international conference?

Mr. Flanders: If I were a member of the House or Senate Committee, I would insist on an executive session with the Treasury to convince me that this was impossible. That is, I would not want to take the newspapers, or anything short of an executive session story of the thing to convince me it was impossible to bring about this change by some means.

Mr. Bratter: Mr. Flanders, I would like to ask a question about a statement in your report. It says: "The existence of this right," that is in the Fund, the right of a member country to obtain a quota of foreign exchange, "is valued by every country because it dignifies its relation to the Fund." And later: "And because it avoids the necessity of a country going into debt to anybody so long as its purchase of the needed currency is within the framework of a bona fide currency transaction."

Now, if the Bank is to make stabilization loans of the other type described in this report, what happens to that dignity, that so-called automatic right that some people say lies in the Fund, and in the Fund quotas?

Mr. Flanders: Well, that right is preserved and is applicable over the area in which that rightfully belongs.

Mr. Bratter: But the quota feature of that is lost when it is transferred to the Bank.

Mr. Flanders: It is for the type of loan which does not belong in the Fund, but in the normal operations of the Fund, that dignity as spoken of is preserved.

The country needing currencies comes to the Fund by right. . . .

Consulting the Treasury

Mr. Reed: Mr. Flanders, we assume you have not made this presentation without talking with some of the Treasury and State Department officials and going all over your attitude on this suggestion with them before coming out; possibly wondering what the effect would be on those who are wondering whether either to support or oppose the Bretton Woods Agreements as they now stand; can you give us something of their reaction to it?

Mr. Flanders: We have not discussed these questions with the Treasury since we wrote the report. We sent it to them when we sent it to you gentlemen, but there has been no discussion with them.

Our discussions with them were before writing the report.

Mr. Reed: You have no indication of their attitude on this?

Mr. Flanders: No. . . .

A Basic Question Is Raised

Mr. Bratter: Mr. Flanders, may I ask a question about the third and fifth recommendations?

The third recommendation contains the thought that the loans should be geared into the amount and kind of imports needed by the borrowing countries. It states nothing about the needs of the lending country.

And down in the fifth point, it says:

"Creditor countries should behave like creditors."

Now, it seems to me that this and other lending programs which are being discussed depend for their success as lending programs, and not as gifts—I notice you make the distinction in your report between loans and gifts—and speaking of this only as a loan now, do you believe that the United States will act like a creditor country and behave like a creditor country, to use the language of this report, or is this just a hope?

Mr. Flanders: I think the chances of its behaving like a creditor country are better than they have ever been. That is, I am prepared to say, at 4:43 this afternoon, I think it is the best chance we have ever had, but I am not prepared to say they are certain.

Mr. Bratter: Isn't that fundamental to the success of a lending program as distinct from a gift?

Mr. Flanders: Yes, but on the whole, this helps us, as I see it, to behave like a creditor country. It is one of the steps; if we don't take this step, I am not sure that we will behave like a creditor country. It is one of the steps.

Opposes Fund As Drafted at Bretton Woods

Mr. Finney: Mr. Flanders, at the expense of being perhaps dull, I want to come back at this question of just how we can define the position taken: When a bill is pending before Congress, it is my tendency—I don't speak for anybody else—to want to know whether an organization is for or against.

Mr. Flanders: Yes.

Mr. Finney: Now, it is certainly true that anybody, while a bill is in the Committee, has a right to modify it, as they will, as they can succeed in modifying it. But supposing that you were not successful in getting this modification, then what is the position of CED?

Mr. Flanders: Well, if you will read that last heavy type, you will see a large measure of dubiousness as to the value of the Fund if it should be established immediately. We would suggest that it be postponed; but, again, I would say that we do not want to give up all the ditches and retire to the last ditch. That is the last ditch. . . .

Mr. Hyde: Ralph, I wonder if I might answer Blair's point? . . . We are for the Bank. We are for the Fund. We feel that the Fund may be in serious danger unless the Bank is strengthened. We feel that there is no possible objection to the strengthening of the Bank. Who will object to it? . . .

The Treasury Not Opposed

Mr. Hyde: Ralph, wouldn't you say we would be surprised to find the Treasury would take violent exception to this?

Mr. Flanders: I think so.

Mr. Bratter: Mr. Flanders, as I understand it, the proposal sees, in the Bretton Woods agreements, as they now stand, an objection in that the Fund would in all likelihood be called upon to make loans which would tend to become frozen and that, therefore, by transferring these intermediate term loans to the Bank that difficulty would be avoided?

It has been made crystal clear that the $8,800,000,000 Fund and the $9,100,000,000 Bank are the minimum which the Treasury conceives would be adequate to meet the two kinds of needs.

Now, if you transferred to the Bank, the function of making loans that might become frozen, you still are not taking care of the $9,100,000,000 for reconstruction and development.

Mr. Flanders: By the way, I would want to stop a minute. The loans don't necessarily become frozen. If they are proper loans they don't become frozen, but the Fund might become frozen on account of the size of the loans, and the size of the loans and the location in which they are made. So the Fund might become frozen. But the loans would not necessarily so. We would expect they would not be.

Mr. Bratter: What I am wondering is whether Dr. White might not think this is weakening, rather than strengthening the Bank to assign to it these additional functions with its already, in his eyes, very limited capital. . . .

Suggested Congressional Treatment

Mr. Leahy: Could this be done: could Congress enact the bill before the House Banking Committee now and add a proviso instructing the American Executive Director to place this matter before the Bank and the Fund directors?

Mr. Flanders: I could not know how to tell Congress what to do, but if they see the picture as we see it, I think it is a matter for discussion between the Committees and the Treasury as to the best way of going about it; that is, I wouldn't want to cramp the style of Congress. I know I couldn't anyway. I wouldn't want to cramp the style of the Treasury. I think that is equally difficult. I think it would be a matter for discussion between the Treasury and the House and Senate Committees as to just how the thing should be done.

Mr. Leahy: Well, there seems to be a general opinion among the people who have been on the fringe of this thing that if Congress tagged an important amendment on the act before it, then the other nations would invoke the right to put their amendments to it. . . .

Mr. Crider: I think it is important to go back to the point Mr. Finney first raised. I think the impression I get out of the conference so far is that two leads could be written on this story:

The first one saying that the CED—Congress postpone Bretton Woods until or unless certain important changes were made in the Bank structure.

Mr. Flanders saw the serious danger that the Fund might fail.

Mr. Flanders: I hope you would not write that one.

Mr. Crider: Well, that is my reason for saying it might very well be put on. That is not wrong, that is right.

Mr. Flanders: In a way it is not wrong, but that is not the kind of a lead which will save the Bank and the Fund and leave them as useful and necessary operating mechanisms for the post war world, and I beseech you to write your leads in the most constructive way possible. . . .

The Bretton Woods Proposals

A Statement on National Policy by the Research Committee of the Committee for Economic Development

Introduction

It is the policy of the Research Committee of C. E. D. to direct its efforts toward the solving of the larger problems of the transition in the post-war period rather than to offer conclusions on matters of merely current interest. Since, however, the Bretton Woods Agreement relates to long time policy, but at the same time comes up for early action, it has seemed wise to publish this advance section of our forthcoming Policy Statement on Foreign Trade.

The Bretton Woods Proposals cover a field difficult for many citizens to understand. We therefore give herewith some elucidation to the main point of the position taken in this report.

It is a synthesis of the present opposing views about the Bretton Woods Proposals, not a compromise between them.

This synthesis is effected by the suggestion that the proposed Bank for Reconstruction and Development be given *the express power* to extend loans to member countries to help maintain, when necessary, the established parity of the borrower's currency; and also loans designed to help in the general restoration of a member's economic status after the war.

The Bank's managers could assume this power, if they decided to exercise it, under the very broad terms of one phrase in a crucial Article: "Loans made or guaranteed by the Bank shall, *except in special circumstances*, be for the purpose of specific projects of reconstruction and development" (italics ours).

The need, in many instances, of the type of loans referred to can and may be construed as "special circumstances." But the absence here of *an express power* in the Bank to make such loans is a source of misgivings that have arisen about the wisdom of attempting to operate an International Monetary Fund, of the character created by the agreements, in the immediate post-war period.

The prime purpose of the International Monetary Fund is to enable each member country, by right of membership but within set limits, to cover *temporary shortages* of a needed currency, arising from an adverse balance of trade between it and some other member.

Perhaps the weightiest criticisms of the International Monetary Fund have centered in the expectation that the principal demands upon this pool of currencies will arise, not from such short-lived imbalances of trade, but from the very serious distortions in production and international trade relations caused by the war.

The Monetary Fund, it is held, will inevitably be put to the necessity of having to "finance unstable conditions" in many countries for an indeterminate period; its stronger currencies will quickly be drained away and replaced by weak currencies which few firms engaged in international commerce will need or want; that is, the managers of the Fund, in spite of some safeguards, will in fact be powerless to prevent the use of this pool of money for what would be in effect stabilization, reconstruction and "general purpose" loans to war-stricken countries.

Consequently, it is held, the prime intended function of the Fund, to deal with currency transactions and to correct temporary currency imbalances, would be perverted; not through expected mismanagement, but because of the underlying economic necessities of the post-war period in many war-torn nations. This result, it is anticipated, may lead to early breakdown and future serious international monetary, economic, and political difficulties.

It is certain that many member countries after the war will need stabilization, reconstruction and general purpose loans. If such loans, as this Committee proposes, are thrown expressly *within the province of the Bank's management* where normal credit-extending considerations could be expected to govern every transaction, the International Monetary Fund could then be constantly maintained to serve its special purpose, to deal with temporary imbalances of international trade. The Fund's managers could refer to the Bank demands that would tend to transform it, from its prime and true function, into a long-term loaning agency.

It seems to this Committee that such an extension of the Bank's powers is one to which it should be easy to gain acceptance from the present forty-four signatories of the Bretton Woods Proposals. It is not a radical change; in actuality it would be a mere clarification of a present obscure phrase.

The agreements among member nations not to depreciate their currencies by unilateral action; to remove their present exchange controls progressively; to consult and cooperate closely and constantly with one another on all monetary matters; to open up, under proper safeguards, a ready flow of capital for developmental purposes over the world—these, and other features of the Bretton Woods Proposals, will constitute momentus progress in international collaboration, *if such agreements turn out to be workable and lasting.* Both a soupnd Fund and a sound Bank are needed to make them workable and lasting, with the functions of each instrumentality clearly delimited and recognized by all member nations.

With the simple but significant change proposed here, the soundness of both the Fund and the Bank will be better assured, and hope of successful achievement of their great purposes is not unreasonable, even in the very difficult readjustment of the world economy that must take place in the years after the war.

Ralph Flanders, Chairman
Research Committee

The Text of the Statement

THE COMMITTEE FOR ECONOMIC DEVELOPMENT as a group of business men is deeply interested in the proposals made at Bretton Woods for the establishment of an International Monetary Fund and of an International Bank for Reconstruction and Development.

The efficient movement of international trade and capital will be facilitated by orderly relations among the various currencies of the world, and by the outlawing of the use of currencies and exchange devices for purpose of international economic warfare. Also, an orderly and adequate means of providing needed capital for world reconstruction and development will hasten the restoration and growth of production and trade with beneficial consequences for world prosperity and security.

Accordingly, in the United States high levels of productivity and of the standard of living will be more easily reached and more certainly maintained *(a) if the relation between currencies is orderly,* and *(b) if the financing of reconstruction and development is promptly and soundly arranged.*

The Research Committee, therefore, believes that it is necessary to create international machinery in which the United States would participate in order to obtain orderly international currency relations; to reduce the dangers of economic warfare; to make loans, underwritings, and guarantees in connection with reconstruction, development, and currency stabilization; and to provide arrangements under which currency and other financial problems affecting world stability and prosperity can be freely and systematically discussed.

Five Basic Principles

IN ATTAINING those objectives certain principles should be observed. First, *we want the greatest order possible in international currency relationships without infringing the essential self-interest of any country.* We hope to gain the acceptance of long-term self-interest over short-run expediency in the management of currency relationships and to harmonize, so far as possible, the interests of all. We wish to eliminate caprice, unnecessary uncertainty, and hostile actions; we do not wish to interfere with the just right of peoples to deal as may seem to them proper with their own internal problems.

Second, *in so far as possible, loans should be truly loans; currency transactions should be currency transactions; and gifts should be gifts.* Lack of clarity as between intent and method at this point will produce in the future, as it has produced in the past, misunderstanding and bitterness between countries. If a gift cannot be made as a gift, it should not mask behind the facade of a loan.

Third, *in the making of loans, underwritings, and guarantees, for reconstruction and development, the amount and kind of the loan should be geared into the amount and kind of imports needed by the borrowing country for the approved reconstruction and development projects.* Uneconomic international debt should not be created for the purposes of relief or to bring about an internal expansion which might be better produced by and within the borrowing country itself.

Fourth, *we must accept for some time as a condition of orderly currency relationships within the framework of long-term self-interest of ourselves and others, the continuance of methods of exchange control that alter what otherwise would have been the free flow of trade and investment.* Although such methods are subject to abuse, they need not be harmful in themselves. The problem is that, when they are invoked, their use should be proper and not improper; and international consultation and cooperation will help attain this end.

Fifth, *creditor countries should behave like creditors,* they should adopt measures that will make it possible for a debtor willing to

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CED Reports on the Bretton Woods Plans

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pay his debts to do so. *Debtor countries should behave like debtors*, they should adopt measures that make it easier for them to observe the letter and spirit of their obligations.

The Bretton Woods Proposals

THE BRETTON WOODS PROPOSALS cover two sets of machinery, an international bank and an international currency fund. This machinery is intended to provide the means for making international loans and for short-term stabilization of currencies. We believe that both these objectives are desirable, whether are achieved through two organizations or through one.

The International Bank for Reconstruction and Development

WE BELIEVE *that the lending objective can be accomplished satisfactorily through the proposed International Bank for Reconstruction and Development, although we do recommend some extension of its powers. The purposes of the Bank as stated do not seem to be sufficiently broad to include loans expressly intended to serve the requirements of long-continuing stabilization.* We feel that the purposes should be so broadened.

The needed general stabilization loans which would assist in orderly monetary relations might be of two sorts. There will probably be a need for long-term loans of a type for which there is no provision at present under either the Bank or the Monetary Fund. The Bank's loans, as at present provided, are to be for specific projects of reconstruction or development; but there will probably be a number of countries that will need some more general form of loan assistance than these specific projects imply—loans designed to provide for imports of a variety of goods and services *in a general restoration of a country's powers of production and trade.* There may also be a need for short-term credits to assist in the maintenance of orderly relations in currency transactions themselves. These short-term credits may be particularly needed toward the end of the transition period, as nations proceed to relax their exchange controls and to find the equilibrium rates of exchange to which their international accounts could be balanced in a freer exchange market.

The managers of the Fund require and deserve the protection to the clarity of their operation that would come from clear authority to the Bank to make loans for stabilization purposes when they are justified.

Otherwise, there will be pressure on the managers of the Fund to permit transactions not consistent with the short-term stabilization operations of a currency fund.

The International Monetary Fund

THE PURPOSES of the Fund are more difficult to attain than those of the Bank. The Fund is intended primarily as an agency of long-continuing monetary management. It is intended to give all member countries access to a common fund of currencies *in order to meet the short-term fluctuations in their international position.* The basic assumption for the successful operation of such a Fund is that there should be a tendency for international transactions to equalize, apart from the short-term fluctuations.

The principal criticism of the Fund is that, in the abnormal conditions of the transition from war to peace, the expectation of an even-balanced position could not be realized. If serious unbalance developed, the Fund would become lop-sided, that is, frozen with unwanted currencies. The result would be much the same as though the surplus countries had made loans to the deficit countries. In this way the Bretton Woods Proposals in their present form might lead to a frozen Fund, cause international misunderstanding, and thereby be more harmful than helpful to the cause of international monetary cooperation.

This risk of failure to work during the transition has raised the question whether the establishment of the Fund is urgent. The *urgent* need will be for specific and general credits to be granted to individual countries, rather than the need of general access to a common stabilization fund, which will become more appropriate when exchange controls are in process of removal.

But the Fund also provides for other important functions. It provides for international consultation on currency and financial matters as well as for ordinary clearing of currency balances. These functions are both useful and important.

Agreement on acceptable exchange practices, which would tend to prevent capricious change in exchange rates and to eliminate the use of currency and exchange devices for purposes of economic warfare, constitute a great advance in international cooperation. But it is true that these purposes could be served, if necessary, by the Bank, at least for the time being, leaving for a later day decision on the establishment of a separate currency Fund.

However, a significant feature that might disappear, if the consultation and clearing functions now set up in the Fund should be assigned to the Bank, *is the right of member countries to exchange their own currency for that of other countries, within limits and without the approval of the management of the Fund.*

The existence of this right is valued by every country, because it dignifies its relation to the Fund and to others, because it facilitates currency transactions, and because it avoids the necessity of a country going in debt to anybody as long as its purchase of a needed currency is within the framework of a bona fide currency transaction.

This right of access gives the Fund its short-term stabilizing power, but it also leads those who have reservations about the Fund to feel that the right might be abused, with or without intent, and that the United States would be forced to take actions to unfreeze the Fund; that the United States would be blamed by others for failure to take what would be considered adequate action to protect the Fund; and that we ourselves would misjudge the distortion of the Fund, coming from the inescapable consequences of postwar readjustments, as evidence of bad faith on the part of others.

To be sure, these dangers can be minimized if the managers of the Fund have the courage and skill to invoke at the right time the protective provisions that are written into the Articles of the Fund. But there may be proper doubt as to whether the managers would be able, in fact, to exercise these powers, unless their position is strengthened.

The solution of this difficulty lies *in giving to the Bank the clear power to make loans for long-term and short-term stabilization purposes at times when such loans are needed and appropriate.*

The managers of the Fund can then refer to the Bank those transactions for which the Fund is not intended. They can also require a country to correct any seriously unbalanced currency position through recourse to the Bank when such recourse is appropriate, rather than by taking more drastic action. Thereby the Fund can be substantially protected. We believe that the danger of abuse of the Fund would largely disappear if the purposes of the Bank were broadened to include, expressly, loans intended to serve needs for long-continuing stabilization.

We attach great weight to these considerations, particularly since the essential functions of the Fund, wherever located, require support of the Bank by powers not presently existing. We urge, therefore, that the possibility of strengthening the Bank be reexamined by the Government.

Recommendations

WE RECOMMEND the approval of the International Bank for Reconstruction and Development and also recommend that at an appropriate time, which would not delay its approval, its powers be broadened to include the extension of general long-term or short-term loans for stabilization purposes.

After the Bank is strengened in this way, we feel that the management of the Fund should be able to use the Fund strictly for currency transactions. Accordingly, the dangers inherent in the Fund as it now stands would be substantially reduced and we would recommend that the Fund be approved.

We are well aware that the Bretton Woods Proposals do not exist in a political and diplomatic vacuum. We know that there are considerations outside the proposals proper, some of which are matters of public record, some of which may not be. These considerations must be weighed by the Administration and by Congress against the risks that are inherent in (a) approving both the Fund and the Bank as now proposed, (b) approving the Fund, and the Bank strengthened as we suggest or (c) approving the Bank alone and assigning to it the currency stabilization function.

Unless the Bank is strengthened, or unless there are weighty political or diplomatic considerations, we would recommend that certain functions of the Fund be carried on by the Bank and that the establishment of the Fund be postponed.

The Research Committee of the Committee for Economic Development comprises the following:

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Senators Taft and Tobey Debate Bretton Woods

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wait until the whole loan policy is determined."

To this Senator Tobey remarked: "But, Bob, we are not giving any money away."

Senator Taft: "In this plan, as I see it (and I think the substance is perfectly clear), we are putting $6,000,000,000 in a fund. That money is going to be loaned out to the borrowers. Of course, it is going to be loaned out by the borrowers, and they are going to give themselves easy terms. It is our money, but we have no restraint on that money, and as far as we are concerned it is a contribution to the general welfare. If we imposed this thing that we are doing here voluntarily on Germany it would be considered reparations."

What Happened in the Twenties

Mr. Gregory: "I don't think we need to feel that we are losing this money that we are putting out, by any means. The money that will be loaned through the banks certainly will not be lent for the purpose of losing it."

Senator Taft: "Mr. Gregory, you remember in the twenties we loaned about $5,000,000,000, after making $10,000,000,000 of war loans, and I think hardly 10% of that has ever come back. If we loan abroad at the rate of $5,000,000,000 a year (and that is about the program we seem to be starting), we may as well kiss that money goodbye."

Mr. Gregory: "I think, Senator, that we had the last time proved that the method that you recommend, just waiting for our bankers to lend it, was not entirely successful."

Senator Taft: "Oh, our own bankers loaned it, then. Unfortunately, they lost it. I should think we had learned our lesson by now, only this time, instead of the private people losing their money, we are proposing that the Government lend this $5,000,000,000 a year, approximately, and that the Government lose the money. In other words, the American taxpayer is going to stand the burden of this whole transaction.

Only Part of Great Loan Program

"If we don't stop spending money just as soon as we can, this country will go bankrupt. There is no question about it: we will come out of this war with a debt of $300,000,000,000. Unless we adopt an entirely different philosophy about spending money, and adopt it at once, there is no possibility of avoiding national bankruptcy, and that means the complete destruction of our whole economic system. I think it means the complete destruction of the freedom for which this country was established."

Senator Tobey: "You are looking at the whole thing, Bob, through blue glasses. Take the bank setup. Loans made by the bank are guaranteed by the corporation itself, in foreign countries, by the country itself, and by all the nations. It is not a bilateral loan, but a multilateral loan, where all the nations come in together—a joint account. We may lose 35%, but the other nations guarantee 65% of it."

Senator Taft: "Let me just point this out: This is only part of the international lending program of the Administration. Under lend-lease we are proposing to lend Britain about $6,000,000,000, mostly for post-war; Russia $6,000,000,000, all for post-war; we are proposing to lend France $2,500,000,000, of which $1,500,000,000 is for post-war; we are proposing to increase the stock of the Export-Import Bank from $1,500,000,000 to $5,000,000,000 to make loans to South America. This is only part of this vast program which is designed to give away, to loan away, American money. It is the spending theory, just exactly like the spending theory at home. It proceeds on the basis that we can spend ourselves into prosperity, and we can't spend ourselves into anything but bankruptcy."

Mr. Gregory: "May I suggest that we are debating the Bretton Woods agreements tonight, Senator, and not all of these other matters?"

Senator Taft: "I am in favor, frankly, of making some reasonable loans to foreign nations. I think a total program of lending of $5,000,000,000 or $6,000,000,000 in the two years after the war is a reasonable program, but I will say that as far as Bretton Woods is concerned, this Stabilization Fund is the most unrestrained lending that I know of. Look what it does. It puts $2,700,000,000 of our money into this fund. That is more than half the really good money in there. Most of it is currency and I. O. U.'s of a lot of nations that aren't worth the paper they are written on. That money is loaned out automatically. Every nation has a right to come and get its share, whether it needs it or not, and as to these foreign nations, Mr. Eccles testified today they could come and spend about $25,000,000,000 in this country. Many of them don't need these loans, but the Stabilization Fund, unlike the Bank, proceeds on the theory that that are entitled to this money."

Mr. Gregory: "I would like to say that you are opposing this thing with a very blue outlook again, Senator. I think Russia and Great Britain and France, and our principal allies, can be looked upon in just a little better light than people who have no good money that they are trying to wish on us, for our great American money."

Senator Taft: "Now, wait a minute. Great Britain owes about $12,000,000,000 to all its own nationalities. Great Britain is broke. That is admitted. That is one of the difficulties, and this Fund won't correct it, incidentally."

Mr. Gregory: "We owe $300,000,000,000. Are we broke?"

Senator Taft: "We don't owe other nations. We have a domestic problem with $300,000,000,000 that is very serious indeed, but we don't owe other nations money, so our dollar is the best currency in the world. When we put in dollars, every cent we put in is worth the gold which it represents."

Roosevelt Himself Opposed FDIC

Mr. Wilcox: "What I want to know is why have we got to take this thing just as is. Is this anything brought down from Mount Sinai? Is this something we have to take as the Ten Commandments? Haven't the bankers given this some study? Aren't their opinions worth considering?"

Senator Tobey: "Yes, the bankers have given it study. But let me say something about the bankers, in all kindness, that the bankers are running true to form in opposing this. They opposed the Federal Reserve Bank; they opposed the Securities and Exchange Commission; they opposed the Federal Deposit Insurance Corporation; they are against any change. In another great crisis, Lincoln said: 'The dogmas of the quiet past are inadequate to the stormy present. As our case is new, we must think anew and act anew. Citizens, we cannot escape history and we are up against the guns now.'"

Mr. Wilcox: "Did you ever happen to think that it takes more courage to oppose things than to make suggestions? About the FDIC President Roosevelt himself is on record as opposing the FDIC insurance. The Republicans themselves thought about the idea, but the bankers came in, and because of their opposition they bettered the program that we would have had if they had not opposed it."

The Harmony of Bretton Woods

Senator Taft: "I don't know what the persuasion of the Treasury is, but they took Senator Tobey and Mr. Brown up to Bretton Woods, and they certainly sold them this job. They sold them a nice bill of goods, in my opinion."

Senator Tobey: "They certainly did, and I can tell you why. There, at Bretton Woods, I saw for three weeks and a half delegations from 44 nations, all the world: India, China, Russsia, England, and our country, working earnestly, long hours, with no recreation, imbued with the purpose to bring some order out of the chaos in the world at large. They consecrated themselves, and they did a great job. They were an inspiration to me, and I pay tribute to them."

Senator Taft: "Why any other nation in the world should oppose the Fund I don't know, because all it is is a present of $2,750,000,000 in American money in loans to these nations which they may or may not have to repay. So, of course, the 44 nations agreed. The thing that astonishes me is that we have an Administration that seems to be determined, if they can, to give away American interests, that seems to be determined to pass our American money and American property all over the world. They seem to think it is a favor. They seem to think we are conferring a favor on ourselves when we give these other people money or give them goods.

"What I think ought to be done is to have a Permanent Economic Council. That Council would work out what should be done for every nation. I think the idea of putting $8,000,000,000 in a fund and saying: 'Here, go and lend it around the world,' is a complete mistake. I think they can say to us: 'Czechoslovakia needs a loan,' and I think then we ought to determine whether we are going to loan our money to Czechoslovakia, and on what terms. I am opposed to the Bank because I don't see any advantage in lending our money through an international agency. I think that international agency is going to be inefficient, as UNRRA is inefficient. I never yet have seen an international administrative body that was any good. The consultative bodies work, but when you try to set up an administration, it has six or seven masters, and it doesn't get anywhere; nor will it impose the conditions that ought the be imposed. What brings about the lack of stabilization? It is failure of a country to balance its budget, and this Fund says you can't even tell a country to balance its budget. You can't refuse money under the Fund because it refuses to balance its budget."

Senator Tobey: "You were opposed to this matter before the child was born; you were opposed to it during the period of gestation. You said before Bretton Woods took place that the Congress would never pass it. I say tonight, and want to go on record, that the Congress will pass it, and it will be approved. You mark my word."

Senator Taft: "Just to correct the record, the experts recommended a plan to Bretton Woods. What I stated was that the plan they recommended to Bretton Woods I thought would not be approved by Congress. The plan was changed. I don't think it was changed for the better, myself, but I did not pass on the Bretton Woods plan before that plan was announced. I passed only on the plan proposed by the experts which had been published."

Predicts Early Exhaustion of Fund

Senator Tobey: "These loans of the Fund are for current purposes only. And more than that, they can only draw 25% of the quota of the Fund in any one year. It isn't all going out at one time."

Senator Taft: "That is all right. There are only $2,750,000,000 in there. And if nations with $5,500,000,000 borrow their quota, they will get it in one year and one month.

"As soon as the dollars are gone we will be faced with the demand for another $2,750,000,000, and it will be gone in less than two years; and then if we don't put it in we are accused of breaking up this whole organization upon which the peace of the world depends. I can't see the arguments in favor of the Fund."

No "Need Test" in Fund

Mr. Gregory: "Don't you think Russia is entitled to $300,000,000 from this country to help her rehabilitate, if she needs it?"

Senator Taft: "If she needs it. But there is no test of need in this Fund. If you loan the money yourself, you can make $2,750,000,000 go about three times as far as in this Fund, because a lot of countries will have absolutely no need for that money. Russia, I think, really has no need for it. They have got a good deal of gold; they can pay for what they need for quite a while. But they will take it."

Mr. Wilcox: "Right on that point, Chairman Eccles of the Federal Reserve Board testified before the House Banking Committee that foreign nations already have about $20,000,000,000 of credit here and they have that purchasing power to use at any time. All they need is an export license."

Senator Tobey: "It may be possible to do something along those lines, but the point remains, here is a line in geometry: Given the line in geometry, you try to prove something. This represents the work of these delegates from 44 nations, carefully thought out three years in preparation, from all parts of the world, and you would say: 'Divide and conquer; delay; postpone.' That is the cry of the bankers. They want to put the hooks into the whole thing. They want to kill it."

Senator Taft: "I would say it represents the work of Harry D. White, and I don't trust Mr. White's opinions. I don't think they are sound. I think the other 44 nations accepted it because they are getting this $2,750,000,000, and they all need it. Of course they accepted it. Why should any other nation have refused to go along with the United States? They are not only looking for this money, but they are also expecting to get other loans from the United States. Of course they do what the Treasury asks them to do, but we have the right to go into the question of whether this is a sound method, a sound method from an American standpoint or a sound method of promoting world trade, and I don't think there is the slightest evidence that it is."

Benjamin Franklin or Morgenthau

Senator Tobey: "May I read something pertinent? It applies today equally as it did in 1787 when Benjamin Franklin said it in the Constitutional Convention. Let me quote from that speech, substituting the word 'plan' for 'constitution': Benjamin Franklin said: 'I confess that there are several parts of this plan which I do not at present approve, but I am not sure I shall never approve them. I doubt, too, whether any other agreement we can obtain may be able to make a better plan, for when you assemble a number of men to have advantage of their joint wisdom, you inevitably assemble all their prejudices, their passions, their errors of opinion, their local interests and selfish views. From such an assembly can a perfect production be expected? It therefore astonishes me, Sir, to find this system approaching so near perfection as it does. Thus I consent to this plan not because I expect no better and because I am not sure it is not the best. On the whole, Sir, I cannot help expressing a wish that every member of this Congress who may still have objections to Bretton Woods would with me on this occasion doubt a little of his own infallability and, to make manifest our unanimity, put his name and vote behind this instrument.'"

Senator Taft: "'I would like to say that if Alexander Hamilton and Benjamin Franklin had written this instead of Mr. Morgenthau and Mr. Keynes, I would be in favor of it myself."

Senate Passes Measure Exempting Issues to $300,000 From SEC Registration

(Continued from page 1264)

"There are in our opinion other factors that adversely affect the financing of small businesses to a greater extent than do any difficulties of registration," Mr. Purcell stated. "Taxes (both corporate and individual), concentration of the financial machinery of the country, the reluctance, justified or not, of many investment bankers to handle small issues, the competition of big business and the increasing rate of absorption of small businesses by big businesses, all have their effect. In looking at the whole picture, any impediments created by complying with the Securities Act seem to us to be so slight as to be negligible in relation to the major problems of such businesses."

Subsequently, in a letter dated March 14, 1945 to Senator Robert F. Wagner, the Chairman of the Senate Committee on Banking and Currency, Mr. Purcell again pointed out the amendment would not exclude small issues from the authority of the Commission, and stated that the Commission, after weighing carefully the advantages to be gained by the adoption of the amendment, "came to the conclusion that balancing all interests concerned the proposal merits a trial" and "we therefore favor its adoption."

The text of Mr. Purcell's letter to Senator Wagner follows:

Philadelphia (3), March 14, 1945
Honorable Robert F. Wagner
The Senate Committee on Banking and Currency, Senate Office Building, Washington, D. C.

My dear Senator Wagner:

This will acknowledge receipt of your letter of January 17, 1945, in which you ask for the opinion of the Commission on the merits of S.62, a bill introduced by Senator Vandenberg "to amend Section 3(b) of the Securities Act of 1933 . . . so as to permit exemption of security issues not exceeding $300,000 from the provisions of such Act."

Section 3(b) reads as follows:

> "The Commission may from time to time by its rules and regulations, and subject to such terms and conditions as may be prescribed therein, add any class of securities to the securities exempted as provided in this section, if it finds that the enforcement of this title with respect to such securities is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering; but no issue of securities shall be exempted under this subsection where the aggregate amount at which such issue is offered to the public exceeds $100,000."

The proposed amendment would change the $100,000 limitation to $300,000 and so permit the Commission to adopt rules and regulations exempting issues offered for an amount not in excess of the latter figure.

It should be understood that the exemption permitted by the section is not complete exemption from all provisions of the Act. It is limited by express provisions in Section 12 which imposes civil liability on persons who sell securities in interstate commerce or through the mails by means of untrue statements or misleading omissions and in Section 17 which makes it unlawful to sell securities by such means or by other types of fraud. Each of these sections by its own terms is applicable to transactions regardless of whether the securities involved have been exempted under Section 3(b). It thus results that the principal effect of the section is to authorize the Commission to exempt issues of securities not exceeding the specified amount from registration and from the civil liabilities imposed by Section 11 of the Act upon issuers, directors, officers, experts preparing reports for the registration statement, underwriters and persons in control of any of such persons. Thus a security exempted pursuant to Section 3(b) may be sold on the basis of less complete disclosure than that required by the Act in the case of a registered security. Moreover, civil liabilities will be incurred only by the seller and the person controlling the seller while in the case of the sale of a registered security the full and fair disclosure prescribed in the Act is required to be made and the civil liabilities imposed by Section 11 run against all the persons specified in that Section. This latter sanction against practically all persons concerned in the distribution of a security is one of the most important implements in carrying out the policy of the Act since it results in a concerted effort on the part of all concerned to provide full and fair disclosure of the character of the securities offered.

It is urged that the amendment will be helpful to small businesses that seek financing through public offerings of securities. The facts available to us indicate that the cost of registration (which is the only cost affected by the proposed amendment) is not a material factor in this problem. In this connection, the results of a recent survey made by the staff of the Commission may be of interest. The survey covered the cost of flotation of securities registered in the years 1939-43, inclusive, as reflected in the several registration statements. It disclosed that during that period companies having assets of $1,000,000 or less registered one hundred and three separate issues of equity securities for distribution to the public through underwriters on a straight cash commission or discount basis. The overall cost of flotation amounted to 21.6% of the aggregate offering price. Of this, 19.7% went for underwriters' commissions. Only 1.9% was attributable to all other expenses including those attributable to registration under the Securities Act. Many of the expenses entering into this 1.9% are not due to the registration provisions of the statute; many of them would have to be incurred in offering an unregistered issue. It seems to us unlikely that the broadening of the exemption permitted by Section 3(b) will diminish the cost of financing small business to a substantially significant degree but we are sympathetic with the problems of small business in general and believe that it may be desirable, through enactment of the proposed amendment, to explore such possibilities as it may present of diminishing their difficulties without a disproportionate increase in hazards to investors in securities.

The savings effected by the proposed amendment would, in all likelihood, be more significant in the case of large corporations which may, from time to time, have occasion to make small public offerings. If such a company has many subsidiaries, a complex capital structure and widespread operations, the cost of registration is likely to be so great in proportion to the small size of the issue as to make a public offering inadvisable. This class of cases is comparatively small since big corporations seldom have occasion to make small public offerings but some such cases have come to our attention and adoption of the proposed amendment would make possible public offerings that would otherwise be impracticable. These corporations file annual reports under the '34 Act certified by public auditors. It seems improbable that in the interim between these reports such a corporation would attempt to sell an issue of less than $300,000 by a statement which would be inconsistent with its annual reports filed under the Act.

We have weighed carefully the advantages to be gained by adoption of the amendment against its disadvantages and have come to the conclusion that balancing all the interests concerned the proposal merits a trial. We therefore favor its adoption.

In reaching this conclusion, we have been influenced by the fact that the exemption provided by the section remains permissive and that the amendment preserves the Commission's authority in granting exemption to impose terms and conditions found necessary to protect the public interest. If the bill passes, the Commission will feel bound to implement it by the adoption of rules extending the exemption to as many issues not now exempted up to the limit provided in the bill as can be found to meet the standards of this section. To avoid the possibility of future misunderstanding, however, I feel I should state that we can not be certain at this time that it will be possible to find consistently with the terms of the section that it will be appropriate to extend the exemption to all types of issues. We shall watch carefully the effect of the rules we do adopt and shall feel obligated under the policy evident throughout the statute, including this section, to amend or repeal any of such rules which our experience may show to be inimical to the public interest. We shall, of course, report to the Congress as to our actions and experience under the amendment in our annual reports, or more frequently if deemed advisable.

Respectfully submitted,
GANSON PURCELL,
Chairman

ANDREW JACKSON:LF

Geo. R. Swift Dies

George R. Swift, a former partner in E. J. Duffy & Co., members of the New York Stock Exchange, died at his home at the age of 52. For the past four years Mr. Swift had been engaged in war work in Connecticut. Mr. Swift had been associated with the firm of Kean, Taylor & Co. for 19 years before joining E. J. Duffy & Co. nine years ago.

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 24

WEST VIRGINIA WATER SERVICE CO. on March 5 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.

Details—See issue of March 15.

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.

Underwriting—Allen & Co. and Shea & Co.

SUNDAY, MARCH 25

MENGEL COMPANY on March 6 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). Common shares registered are reserved for issuance upon exercise of conversion privilege of the convertible first preferred.

Details—See issue of March 15.

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

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

HALLICRAFTERS CO. on March 6 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.

Details—See issue of March 15.

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

Underwriters—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.

MONDAY, MARCH 26

CENTRAL VERMONT PUBLIC SERVICE CORP. on March 7 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.

Details—See issue of March 15.

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

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.

DALLAS POWER & LIGHT Co. on March 7 filed a registration statement for 78,731 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

Details—See issue of March 15.

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.

Underwriting—None named.

SIMPLICITY PATTERN CO., INC., on March 7 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.

Details—See issue of March 15.

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

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

TUESDAY, MARCH 27

WHEELING STEEL CORP. on March 8 filed a registration statement for $24,000,000 first mortgage sinking fund 3¼% bonds, Series C, due March 1, 1970.

Details—See issue of March 15.

Offering—Offering price will be filed by amendment.

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

NORTHWEST AIRLINES, INC., on March 8 filed a registration statement for 178,190 shares of common stock (no par).

Details—See issue of March 15.

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.

Underwriters—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.

RATH PACKING CO. on March 9 filed a registration statement for 200,000 shares of common stock, par $10.

Details—See issue of March 15.

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.

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

WEDNESDAY, MARCH 28

NORTHWESTERN LEATHER CO. on March 9 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.

Details—See issue of March 15.

Underwriters—First Boston Corp. is named principal underwriter.

THURSDAY, MARCH 29

OHIO EDISON CO. on March 10 filed a registration statement for $26,089,000 first mortgage bonds due April 1, 1975. Interest rate will be filed by amendment.

Details—See issue of March 15.

Offering—The offering price will be filed by amendment.

Underwriters—Bonds will be offered for sale under the Commission's competitive bidding rule.

INVESTORS STOCK FUND, INC., on March 10 filed a registration statement for 2,000,000 shares of capital stock, no par value.

Details—See issue of March 15.

Offering—At market.

Underwriting—Investors Syndicate is named principal underwriter.

INVESTORS SELECTIVE FUND, INC., on March 10 filed a registration statement for 2,000,000 shares capital stock, no par value.

Details—See issue of March 15.

Offering—At market.

Underwriting—Investors Syndicate.

NEWCOR MINING & REFINING, LTD., on March 10 filed a registration statement for 500,000 shares of common stock without par value.

Details—See issue of March 15.

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

Underwriters—Tellier & Co. is named principal underwriter.

FLINTKOTE CO. on March 10 filed a registration statement for 75,000 shares of $4 cumulative preferred stock (no par).

Details—See issue of March 15.

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

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

SATURDAY, MARCH 31

CONTINENTAL GIN CO. on March 12 filed a registration statement for 37,303 shares 4½% cumulative preferred stock (par $100).

Details—See issue of March 15.

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.

Underwriters—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.

SECURITIES ACCEPTANCE CORP. on March 12 filed a registration statement for 50,000 shares of 5% cumulative preferred stock, Series A, $25 par.

Details—See issue of March 15.

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

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

SOUTHWESTERN INVESTMENT CO. on March 12 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.

Details—See issue of March 15.

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. Corporation also is offering 11,822 authorized but unissued shares of common at $12.50 per share.

Underwriting—None named.

UNIVIS LENS CO. has filed a registration statement for 42,702 common shares, par value 50 cents. Of the total 12,000 shares are being sold by the company and 30,702 shares are issued and being sold by stockholders.

Address—401 Leo Street, Dayton, Ohio.

Business—Manufacture of lens, etc.

Offering—The price to the public is $6.50 per share.

Proceeds—The net proceeds to the company will be used for additional working capital and will be first invested in Government securities to be held available to finance reconversions costs and post-war developments. Of the other shares 14,438 are owned by J. R. Silverman and 16,264 are owned by Mary E. Silverman, his wife who will receive the proceeds from the sale.

Underwriters—Allen & Co. is named principal underwriter.

Registration Statement No. 2-5631. Form S-1. (3-12-45).

TUESDAY, APRIL 3

THE HUB, HENRY C. LYTTON & CO. filed a registration statement for 130,000 shares of common stock (par $1). Of the total 30,000 shares are being offered by certain stockholders.

Address—235 South State Street, Chicago, Ill.

Business—Operation of stores selling men's and women's clothing, etc.

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

Proceeds—The net proceeds to the company from the sale of the 100,000 shares will be used primarily to finance the expansion of its operations, for the establishment or acquisition of additional stores and departments, the maintenance of larger inventories, etc. The selling stockholders are Henry C. Lytton, president, 10,000 shares and Willard W. Cole, executive vice president, 20,000 shares.

Underwriters—The principal underwriter is Allen & Co., with names of others to be filed by amendment.

Registration Statement No. 2-5632. Form S-1. (3-15-45).

GENERAL TIRE & RUBBER CO. has filed a registration statement for 75,000 shares 4¼% cumulative preferred stock, par $100 and 87,857 shares of common, par $5.

Address—1708 Englewood Avenue, Akron, Ohio.

Business—Manufacture and sale of tires and tubes, etc.

Offering—A total of 65,000 shares of preferred are being offered by the company in exchange, share for share, to holders of its outstanding 4½% cumulative preferred stock, and the remaining 10,000 shares and any unexchanged shares will be purchased by underwriters and offered to the public at a price to be filed by amendment. Of the 87,857 common shares registered, 22,000 shares are being offered by the company to certain of its officers and employes at $10 per share. The remaining 65,857 shares are being offered by the company for subscription, at the rate of one share for eight shares held, to holders of outstanding common stock at a price to be filed by amendment. Unsubscribed shares will be purchased by the underwriters and sold to the public at a price to be filed by amendment.

Proceeds—The proceeds, after the redemption of any unexchanged preferred stock, will be added to general working capital.

Underwriters—Among the underwriters are Kidder, Peabody & Co., Goldman, Sachs & Co., Lehman Brothers, The First Boston Corp., Ball, Burge & Kraus and the First Cleveland Corp. Lehman Brothers, First Boston Corp. and First Cleveland Corp. are named underwriters of preferred stock only.

Registration Statement No. 2-5633. Form S-1. (3-15-45).

WEDNESDAY, APRIL 4

CAROLINA POWER & LIGHT CO. has filed a registration statement for 156,158 shares of $5 preferred stock, without par value.

Address—336 Fayetteville Street, Raleigh, N. C.

Business—Public utility.

Offering—All of the 156,158 shares of $5 preferred stock are to be offered on a share for share basis in exchange for not more than 90% of the 93,553 shares of $7 preferred and 79,955 shares of $6 preferred now outstanding. All presently outstanding $7 and $6 preferred will be retired either by exchange or by redemption at $110 per share plus dividends to date of redemption. The company proposes to make a cash adjustment which, together with the dividends receivable on the $5 preferred stock, will give each stockholder who exercises the exchange privilege a dividend at the rate of $7 per share per annum or $6 per share per annum, respectively, up to the redemption date of these stocks.

Purpose—To refinance company's outstanding preferred stock at a lower dividend rate.

Underwriters—None named.

Registration Statement No. 2-5634, Form S-1. (3-16-45).

HYTRON RADIO & ELECTRONICS CORP. has filed a registration statement for 225,000 shares common stock, par $1. Of total, 25,000 shares are issued and outstanding and being sold for certain stockholders.

Address—Salem, Mass.

Business—Manufacturer of radio and electronic equipment.

Offering—Price to the public $5 per share.

Proceeds—Issuers part for working capital.

Underwriters—Herrick, Waddell & Co., with names of others to be filed by amendment.

Registration Statement No. 2-5635. Form S-2. (3-16-45).

THURSDAY, APRIL 5

NEW YORK POWER & LIGHT CO. has filed a registration statement for $50,000,000 first mortgage bonds due March 1, 1975. The interest rate will be filed by amendment.

Address—126 State Street, Albany, N. Y.

Business—Public utility.

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

Proceeds—Net proceeds from the sale of the bonds, together with $5,000,000 to be received from the sale to Niagara Hudson Power Corp., parent of New York Power, of additional shares of company's common stock with other funds of the company will be applied toward the redemption on or about May 13, 1945, of the outstanding $55,000,000 first mortgage bonds, 3¾% series due 1954. The bonds are redeemable at 107¼ and interest.

Underwriters—The issue will be offered for sale under the Commission's competitive bidding rule and the names of the underwriters will be filed by amendment.

Registration Statement No. 2-5636. Form S-1. (3-17-45).

SATURDAY, APRIL 7

OAK MANUFACTURING CO. has filed a registration statement for $1,000,000 ten year 5% sinking fund debentures due April 1, 1955, and 350,000 shares common stock, par $1. Of the total, 300,000 shares are issued and outstanding and being sold by certain stockholders.

Address—Crystal Lake, Ill.

Business—Manufacture of precision built component parts for use in radio, radar and radio-electronic apparatus.

Offering—The offering price of the debentures to the public is 100 and of the common stock $10 per share.

Proceeds—The proceeds to be received by the company from the sale of $1,000,000 debentures and 50,000 shares of common stock will be used for the redemption of $960,000 serial maturing 5 year 4% debentures with interest and for the redemption of $440,000 serial 10-year 4% debentures (subordinated) with interest. The 300,000 shares are being sold for the account of Edward F. Bessey 125,073, Grace I. Bessey 120,576, William Bessey, trustee, 40,763, Irving M. Cochrane, Jr., and William Edward Cochrane, 6,794 shares each who will receive the proceeds from the sale.

Underwriters—Paul H. Davis & Co., is named principal underwriter, with names of others to be filed by amendment.

Registration Statement No. 2-5638. Form S-1. (3-19-45).

KANSAS-NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for $4,484,000 first mortgage sinking fund bonds, 3⅜% series due April 1, 1965.

Address—Phillipsburg, Kansas.

Business—Operating public utility company.

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

Proceeds—The proceeds will be used to retire outstanding first mortgage sinking fund bonds 4%, series A, B and C which on April1, 1945, will total $4,484,000.

Underwriters—The underwriters are Central Republic Co., Inc.; Coffin & Burr, Inc.; A. C. Allyn & Co., Inc.; Kebbon, McCormick & Co.; Harold E. Wood & Co.; First Trust Co. of Lincoln, Neb.; Beecroft, Cole & Co., and Rauscher, Pierce & Co., Inc.

Registration Statement No. 2-5639. Form S-1. (3-19-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

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.

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

AMERICAN AUTOMOBILE INSURANCE CO. on Feb. 23 filed a registration statement for $75,000 shares of common stock (par $4). The shares are issued and outstanding and being sold for the account of two stockholders.

Details—See issue of March 1.

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

Underwriters—G. H. Walker & Co., Kidder, Peabody & Co., and Huff, Geyer & Hecht.

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.

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.

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.

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.

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.

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).

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—City Securities Co., Indianapolis, is the principal underwriter.

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.

PACIFIC GAS & ELECTRIC CO. on Feb. 26 filed a registration statement for $80,000,000 first and refunding mortgage bonds series M 3% due Dec. 1, 1979.

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.

Bids Invited—Proposals for the purchase of the bonds will be received at the company's office, 245 Market Street, San Francisco 6, Calif. up to 9 a.m. PWT, March 26.

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.

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.

FDR Renews Plea to Broaden TVA Scope

President Roosevelt on March 2 renewed his request to Congress for legislation to incorporate the Cumberland River and its tributaries within the scope of the Tennessee Valley Authority Act. His latest request was made in transmitting to the Senate and House a communication from David E. Lilienthal, Authority Chairman, submitting a report entitled "A Report on the Physiographic, Economic and Other Relationships Between the Tennessee and Cumberland Rivers and Between Their Drainage Areas." The President indicated that the report was prepared at his request.

Broker-Dealer Personnel Items

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

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Stuart O. Stearns** has become associated with **Whiting, Weeks & Stubbs**, 36 Federal Street. Mr. Stearns in the past was with Arthur Perry & Co., Inc., and The Shawmut Corporation.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Charles A. Heckman** has joined the staff of **Clark Davis Company**, Langford Bldg.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—**Pauline O. Labbe** and **Blanche L. Demeritt** have been added to the staff of **Frederick M. Swan & Co.**, 75 Federal Street, Boston, Mass.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Edward M. Perkins** has become associated with **Edward D. Jones & Co.**, 300 North Fourth Street. Mr. Perkins for the past 15 years has been with Bitting & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—**William A. Dailey** has joined the staff of **Harold E. Wood & Co.**, Endicott Building.

Action of Stocks Selling Below and Above 20

(Continued from page 1263)

stocks under 20 in comparison with those over 20, the accompanying table shows the action for the week, March 3 to March 10 inclusive, of 200 representative stocks: 40 selling between 5 and 10, 60 between 10 and 20, and 100 over 20."

"In the 5-10 price range," it is noted, "two advanced and the average decline was 8.5% in the 38 stocks that sold off. This was not much more than might have been expected in view of the recognized greater velocity of movement in low-priced stocks than in higher-priced stocks, and the issues that declined the most were the least popular."

In the 10-20 price range, five advanced and two were unchanged, and the average decline in the other 53 stocks was 6.1%. "This," says the review, "does not reflect any unusual liquidation attributable to the new margin rules.

"In the stocks selling above 20, eight went up and three were unchanged, with an average decline of 2.9% in the 89 stocks that registered losses. This compares with the 1.6% decline in the Dow-Jones Industrial Stock Average, which in the same period was down from 159.71 to 157.21 and in which the majority are high-priced stocks, only one selling under 30."

The study concludes that "contrary to rather widespread expectations, and considering that lower-priced stocks usually move more percentagewise than higher-priced ones, the removal of stocks in the 5-10 range from margin trading and the increased margin requirements on stocks from 10 to 20 apparently had a comparatively minor effect on stocks in these ranges compared with higher-priced issues. The new restrictions, however, were undoubtedly one of the factors behind the decline, or at least its timing, since they represented the intention of the authorities to act to curb speculation and wide price advances. Insofar as stocks under 20 were relatively more adversely affected, their attractiveness for the long pull should be increased, as obviously their inherent values—which if free markets are to continue at all, must ultimately be the determining element in prices eventually reached—were not decreased by the new rules, and any influence on the market valuation placed on intrinsic worth should prove temporary."

ACTION OF STOCKS BELOW AND ABOVE 20

40 Stocks Selling Between $5 and $10

Name of Company—	Price March 3	Price March 10	% Decline
Alaska Juneau	7⅝	7	8.2%
Amalgamated Leather	5⅞	5	14.9
Amer. Power & Light	5	4⅝	7.5
American Zinc, Lead & S.	6¾	5¾	14.8
Armour & Co.	7⅞	7⅜	6.3
Aviation Corp.	6¾	6	11.1
Calumet & Hecla	7¾	7⅛	8.1
Certain-teed Products	9	8¼	8.3
Chicago Great West.	7½	6½	13.3
Columbia Gas & El.	5	4¾	5.0
Consolid. Film Ind.	5¾	5⅜	6.5
Continental Baking	9⅝	9	6.5
Curtiss-Wright	6¼	6	4.0
Delaware, Lack. & W.	10	9	10.0
Electric Power & Lt.	5¼	4¾	9.5
Gair, Robert	6¼	5⅞	6.0
Gar Wood Ind.	8¾	8	8.6
General Baking	9⅞	9¼	6.3
General Cable	6¾	6⅜	5.5
Graham-Paige Motors	7⅛	6⅝	7.0
Hayes Mfg.	7¼	6¾	6.9
Libby, McNeil & Libby	9	8⅝	4.2
Marine Midland	8¼	7⅝	7.7
Maytag	9⅞	9	8.9
Minn. Moline Power Imp.	8⅞	7⅞	11.3
Missouri-Kan.-Texas RR.	8¼	7¼	12.1
National Pow. & Light	8½	8⅝	*1.5
Pacific Tin	6⅜	6⅝	*3.9
Packard Motor	6⅞	6¼	9.1
Parmelee Transporta.	8¾	7⅝	12.9
Pittsburgh Screw & Bolt	8½	7⅝	10.3
Radio-Keith-Orpheum	9¼	8½	8.1
Silver King	7⅛	6⅜	10.5
Sparks-Withington	7⅜	7	5.1
Symington-Gould	9¼	8¾	5.4
Texas Gulf Prod.	8⅜	8	4.5
Tri-Continental	6⅝	6⅜	3.8
U. S. Leather	9	8	11.1
Western Maryland	7	5¾	17.9
Zonite Products	6⅞	6⅜	7.3

60 Stocks Selling Between $10 and $20

Name of Company—	Price March 3	Price March 10	% Decline
American Bosch	19½	20⅜	*4.5%
American Cable & Radio	12½	12¼	2.0
Amer. Rad. & St. S.	14	13½	3.6
Amer. Rolling Mill	18⅞	18	4.6
Amer. Water Wks.	10⅝	9⅞	7.1
American Woolen	11⅜	10	12.1
Austin, Nichols	12⅞	11⅛	13.6
Baltimore & Ohio	16	15⅜	3.9
Bell Aircraft	14⅛	13½	4.4
Best Foods	18⅝	18	3.4
Boeing Airplane	19¾	18¾	5.1
Budd Mfg.	12¼	11	10.2
Budd Wheel	13⅞	12⅞	7.2
Burroughs Add. Mach.	15¾	14¾	6.3
Canadian Pacific	13⅛	12¼	6.7
Celotex Corp.	17	15⅞	6.6
Central RR. of N. J.	13½	12⅛	10.2
Continental Motors	12	10⅝	11.5
Curtis Pub.	11⅛	9¾	12.4
Elastic Stop Nut	11½	11½	--
Engineers Pub. Serv.	19½	18¼	6.4
Erie RR.	14¼	14⅜	*0.9
Farnsworth Tel & R.	15¼	14	8.2
Great N. Iron & Ore	16⅞	16¼	3.7
Gulf Mobile & Ohio	16⅝	15½	6.7
Hudson Motor	18¼	17¾	2.7
Inspiration Cons. Cop.	14	12¾	8.9
Interlake Iron	10⅜	9¾	6.2
Kansas City South.	17⅝	16⅛	8.5
Lehigh C & N.	14¼	13⅜	6.1
Lehigh Valley RR.	10¼	8⅞	13.5
Nash Kelvinator	17¾	17¼	2.8
National Gypsum	15	14⅜	4.2
National Supply	18⅛	17¼	4.8
North Amer. Aviation	11¼	10½	6.7
Omnibus Corp.	16½	15⅜	6.8
Pan-Amer. Airways	17⅞	17	4.9
Patino Mines	20	22⅞	*14.4
Pressed Steel Car	19¾	19	3.8
Public Service of N. J.	19⅝	18⅝	5.1
Pure Oil	19⅛	19⅞	*4.0
Radio Corp. of Amer.	12	11⅜	5.2
Richfield Oil	13⅛	13	1.0
Rustless Iron & Steel	19½	19½	--
Sinclair Oil	17	16⅝	2.2
Socony Vacuum	16¾	16	4.5
Spiegel	14⅝	13¾	6.0
Standard Steel Spring	11⅝	10¾	7.5
Stewart Warner	18	17	5.6
Stokely-Van Camp	14⅝	13⅞	5.1
Stone & Webster	13⅛	12⅝	3.8
Sunshine Mining	11¼	11⅛	1.1
Texas Pacific L. T.	15⅝	14¾	5.6
United Gas Impr.	16	17	*6.3
Walworth	10⅝	10⅛	4.7
Warner Bros.	14⅝	14⅜	1.7
Webster Eisenlohr	11⅜	10⅛	11.0
White Sewing Mach.	11¼	10⅜	7.7
Willys-Overland	18	17½	2.8
Wilson & Co.	13⅜	12⅝	5.6

100 Stocks Selling Over $20

Name of Company—	Price March 3	Price March 10	% Decline
Abbott Laboratories	62¾	63¼	*0.8%
Air Reduction	46½	44⅞	3.5
Allied Chem. & Dye	162½	158½	2.5
Allied Stores	23½	23	2.1
Allis-Chalmers	45⅛	42¾	5.2
American Airlines	45½	44¼	2.7
American Can	94	93	1.5
Amer. Car & Foundry	44⅜	42¼	2.5
American Locomotive	33⅞	32⅞	3.0
Amer. Smelt. & Ref.	47⅝	46	3.4
American Tel. & Tel.	163¼	163⅜	*0.1
American Tobacco B	73¼	71	3.1
Anaconda Copper	34⅛	32⅛	5.9
Atchison, Top & S. F.	84⅜	82¼	2.5
Atlantic Coast Line	60⅞	58½	3.9
Atlantic Refining	33⅞	33¼	1.8
Baldwin Locomotive	29⅝	28¾	3.0
Bethlehem Steel	73	72¾	0.3
Borden Co.	35⅝	35	1.8
Carpenter Steel	34¾	34	2.2
Carrier Corp.	28	25¾	8.0
Case, J. I.	40	38¼	4.4
Celanese Corp.	42¾	42½	0.6
Chesapeake & Ohio	53	51	3.7
Chicago & North Western	30¼	30	0.8
Chrysler	100¾	100	0.8
Cluett, Peabody	39½	38⅝	2.2
Colorado Fuel & Iron	27¾	27⅝	0.5
Col. Broadcasting A.	36½	33½	8.2
Com. Inv. Tr.	44⅝	45⅜	*1.7
Commonwealth Edison	29½	29¼	0.8
Consolidated Edison	27	26½	1.9
Continental Can	42⅞	41¼	3.8
Corn Products	63½	62½	1.6
Crane	30⅞	29⅜	4.9
Crown Zellerbach	23¼	21⅞	5.9
Crucible Steel	44½	44¼	0.6
Delaware & Hudson	46¼	44⅝	3.5
Detroit Edison	22¾	22⅛	2.7
Dome Mines	26	24¾	4.8
Douglas Aircraft	69½	68½	1.4
Dow Chemical	136	132¼	2.8
duPont	164	162	1.2
Electric Auto-Lite	49¼	46½	5.6
Fajardo Sugar	31⅜	31	1.2
Firestone Tire & R.	58	57⅝	0.6
Flintkote	27¼	26¾	1.8
Freeport Sulphur	36¾	38⅛	*3.7
General Electric	42⅞	41⅜	3.5
General Foods	41½	41⅛	0.9
General Motors	67	65½	2.2
General Ry. Signal	35½	35¼	0.7
Goodrich	59¼	57¼	3.4
Goodyear	57	56¼	1.3
Great West. Sugar	28⅞	29⅜	*1.7
Greyhound	25⅜	24⅝	3.0
Gulf Oil	55⅛	55⅛	--
Homestake	49	47⅜	3.3
Illinois Central	28	27⅞	3.9
Inland Steel	86¼	85	1.4
Internat. Harvester	80½	78	3.1
International Nickel	33⅝	32½	3.3
International Paper	24⅜	23¾	2.6
International T. & T.	23⅞	26¼	*9.9
Jones & Laughlin	31¼	30½	2.4
Kennecott Copper	38⅞	37⅜	4.0
Lima Locomotive	58	55¾	3.9
Loew's	79¼	77	2.8
Lone Star Cement	53	53	--
Lorillard, P.	23	21⅝	6.0
Louisville & Nashville	113½	110	3.1
Macy, R. H.	34¼	32¼	5.8
Martin, Glenn L.	26⅜	25	5.2
Masonite	44½	43¾	1.7
McIntyre Porcupine	60½	58½	3.3
Montgomery Ward	55⅛	53¾	2.5
National Biscuit	25⅛	24⅝	2.0
New York Central	24¾	23⅛	6.6
New York, Chicago & St. Louis	42¼	40¼	4.7
North American Co.	22¾	21¼	6.6
Northern Pacific	22⅜	20⅞	6.7
Paramount Pictures	31	29⅞	3.6
Park & Tilford	41½	42¾	*3.0
Pennsylvania	36⅞	35¾	3.0
Pepsi-Cola	24⅛	23¼	3.6
Phelps Dodge	28¾	27	6.1
Phillips Petroleum	52⅝	52¼	0.7
Pullman	50¾	49¼	3.0
Republic Steel	22⅜	22	1.7
Safeway Stores	64⅞	63½	2.1
Sears Roebuck	101⅞	101¼	0.6
Southern Pacific	42¼	40¾	3.6
Standard Brands	31⅞	31	2.7
Standard Oil of N. J.	60	60⅜	*0.6
Studebaker	24¼	22¾	6.2
Twentieth-Century-Fox	28⅝	27½	3.9
U. S. Steel	63⅞	63½	0.6
Vanadium	25¼	24⅞	2.5
Westinghouse Elec.	124½	124½	--
Woolworth	44⅞	44½	0.8

*Advance.

Riddle Sees Monetary Fund as Pump Priming Device

(Continued from page 1258)

"The Fund is wholly unsuited to the transition period of reconstruction which will be characterized by heavy demands for American goods. The demands on the Fund for currency will be concentrated largely on American dollars. The prospects are that the dollars in the Fund will become scarce in a few years, and for all practical purposes the Fund will cease to function effectively unless the United States should make further contributions. It would be unfortunate for the United States to put itself in the position of having to contribute more and more to the Fund or be held responsible for its breakdown.

"The great problem after the war is to restore general political and economic stability in the world. Monetary instability is the result, not the cause, of the instability of more fundamental factors. These basic problems cannot be solved by granting easy credits. We must attack the causes of instability rather than the symptoms.

"In essence the Fund is a world-wide pump-priming project to be financed largely by United States dollars. If trade, and especially United States exports, are over-stimulated by liberal credits, however, we would face an inevitable reaction when credits end and the bubble is pricked.

"In addition to providing for international consultation in monetary matters, the International Bank could also be given the power to make any sound and necessary stabilization loans. There is little doubt in my mind that the other United Nations would accept this amendment to the Bretton Woods proposals. The contention of Treasury experts that any amendment to these proposals would result in the scrapping of the entire program is untenable."

Says Bretton Woods Would Create Black Market in Exchange

(Continued from page 1261)

the fund and bank for foreign nations to juggle in "managing" their currencies and their domestic economic policies, with the United States powerless to intervene because voting control is surrendered to foreign nations.

4. Americans, along with all other nations subscribing to the Bretton Woods agreements, would be at the mercy of a foreign-controlled institution engaged in propagandizing, bribing and coercing the peoples of the world into destruction of democracy and into acceptance of totalitarianism.

5. The United States, and all other nations adopting the Bretton Woods plans, would be committed to policies of perpetual inflation and monetary adulteration in order to preserve political power over the masses.

6. Because the international monetary stabilization fund would be a mechanism for fixing the prices of currencies, efforts to conduct world trade would lead to the development of black markets for foreign exchange, just as domestic price-fixing of commodities has resulted in enormous black market operations.

7. Open markets for goods and services in international commerce, the basis of all progress in democratic civilization, would be destroyed and there would be substituted politically rigged markets that would insure international hatreds transcending any previously known experience.

In concluding his analysis, Dr. Watts ties the Bretton Woods proposals in with a world-wide "collectivist" movement and writes:

"History shows that the final result of these policies will be economic collapse and political revolution. Gifts and easy credit from the United States, which is richer and less far advanced in collectivism, may for a time postpone the day of reckoning. But this postponement will be purchased by a more complete and widespread breakdown in the end."

With McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**John P. De Vault** has become connected with **McDonald & Co.**, 1009 Baltimore Avenue. Mr. De Vault was previously with Edward D. Jones & Co., Alexander & Co., Inc., and John J. Seerley & Co., Inc.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Aside from some profit taking in the partially exempts and minor adjustments in the long-term issues, the Government bond market last week marked time, awaiting the announcement as to the maturity dates of the several issues to be offered in the drive. . . . While no information has yet been made available by the Treasury, the opinion is held in some quarters that the new 1½% bonds will be a June 15, 1950/52 issue, with the 2¼s a June 15, 1959/62 obligation and the 2½s due June 15, 1967/75. . . . It is believed that the pay date for these bonds will be June 18th. . . .

If these ideas should be in line with the terms that will be forthcoming on these issues, the Treasury in the coming financing will, in one instance, shorten the maturity and lower the interest rate while, in the other, they will be lengthening the maturity without changing the long-term coupon rate. . . .

SOME LIQUIDATION EXPECTED

Based on the assumption of a 1½% bond, some due June 15, 1950/52, it is believed that there will be some liquidation in the 2% due 1949/52 and the 2% due 1950/52 because of the levels at which these obligations were selling compared with a new 1½% bond at 100. . . . The loss of interest between now and June 18 on a 2% bond is equivalent in price to about 16/32. . . .

Therefore it may be to the advantage of institutions and individuals who can buy the new 1½s during the drive to sell certain of the 2% obligations and take down profits particularly where the maturity is not of paramount importance. . . .

The 1½% bonds will not go below par, and in view of the small amount that will be outstanding and the anticipated demand for them, it seems as though a premium is indicated for this obligation. . . .

A 2¼% bond due June 15, 1959/62 would have a somewhat longer maturity than the outstanding issue, but this probably will not be important enough to certain holders of the old security to mean that they will not dispose of some of them at present levels, to reinvest the proceeds in a 2¼% due 6/15/59/62. . . .

The loss in interest from now until June 18 is equivalent in price to slightly more than 17/32, so that at current prices of 102 3/32 the holders of the 2¼% due 9/15/56/59 can still take down about 1½ points above the loss in income to the probable date of purchase of the new bond. . . .

NEW YORK SAVINGS BANKS

The largest holders of the 2¼% due 9/15/56/59 are the savings banks, and it is indicated that these institutions in New York State are considering selling some of their bonds, since they are in a position to register sizable gains and then put these funds to work at 1% with the Savings Bank Trust Co. until pay day for the new issue. . . . This means that about 8/32 in price would be picked up by these institutions from this temporary investment which would add to the profits realized through the sale of the outstanding 2¼s. . . . Other investors are among the large holders of the outstanding 2¼s, and it is believed they will sell some of the old bonds and use the proceeds to take up the new issue. . . .

Commercial bank holders of the outstanding 2¼s will probably not make any important changes in their position in this issue since these institutions cannot repurchase this obligation until Sept. 15, 1946. . . .

ATTITUDE OF DEALERS

At present the point of discussion is at what level these bonds would meet support if other investors, savings banks and insurance companies should all turn seller. . . . It was pointed out that "Federal" might step in and take on some of these bonds so that they would be in a position, the next time, to stabilize the market if another fear should develop concerning the scarcity of long-term bonds. . . . It is indicated that the dealers are reluctant to take positions in the outstanding 2¼s at this time. . . .

THE COMMERCIAL BANKS

Assuming a 2½% due June 15, 1967/75, it is indicated that commercial banks which own the old restricted 2½% issues will not be sellers of their bonds, since they would not be able to replace them and, at present levels, they are not considered a good switch for the 2½s due 9/15/67/72. . . . Whether individuals, savings banks and insurance companies will let out some of their restricted 2½s, now that it is indicated there will be plenty of these bonds available in the future, will no doubt depend on the trend of prices for the outstanding issues. . . . In the previous War Loans the outstanding restricted 2½s sold close to par before and during the drive. . . .

A 2½% bond if sold now would mean a loss in income, equivalent in price to slightly more than 19/32, to June 18. . . . Based on present prices of 101.4 for the last three issues of the restricted 2½s this would result in a gain of 17/32 above the loss of interest to June 18, the time at which the new issue probably will be available. . . . A somewhat larger profit would accrue if some of the shorter maturity restricted 2½s were disposed of. . . .

PROFIT POSSIBILITIES

As to the unrestricted 2½s due 9/15/67/72, a profit of about 1½ points could be taken, after an allowance for the loss of income to June 18. . . . The commercial banks are the largest holders of these bonds and undoubtedly will not be sellers but are more likely to be buyers on price weakness. . . . Selling by insurance companies, savings banks and other investors will no doubt be well taken by commercial banks with time deposits, since this is the only long-term bond these institutions can buy. . . .

It is believed that there will not be too substantial an adjustment in the price of this obligation from present levels. . . .

Dick & Merle-Smith To Admit Fergus Reid

Fergus Reid, Jr., member of the New York Stock Exchange, will become a partner in the Exchange firm of Dick & Merle-Smith, 30 Pine Street, New York City, effective today. Mr. Reid has been active as an individual floor broker and in the past was a partner in Callaway, Fish & Co.

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