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Rep. Kunkel Finds British Indifferent About Bretton Woods

Member of House Banking and Currency Committee Also Tells "Chronicle" Representative That British Are Not Fazed by Blocked Sterling and Other War-Created Problems. Canadian Opinion Favorable to International Monetary Fund and House Banking Committee Is Expected to Recommend Adoption of Program.

WASHINGTON, D. C.—Representative John C. Kunkel (R.) of Pennsylvania, a member of the House Banking and Currency Committee, which has been holding hearings on the Bretton Woods program, returned a few days ago from nearly a month's trip to Canada, Great Britain, France and Germany. During his trip Mr. Kunkel talked with Governor Graham Towers of the Bank of Canada, Lord John Maynard Keynes of the British Treasury, and other financiers in and out of government.

Rep. John C. Kunkel

(Continued on page 1966)

Foreign Trade Financing Problems

By RUDOLPH BERDACH
Manager, Foreign Department
The National Safety Bank and Trust Company of New York

Writer Cautions Against Expectation of Heavy Post-War U. S. Exports, Because of Large Dollar Balances Held Abroad. Contends That These Balances Will Be Used Mainly to Support Domestic Currencies. Does Not Look for Greatly Increased Imports as a Basis for Larger Exports Because of the Inelastic Nature of Our Imports of Raw Materials and Because of Our Unwillingness to Lower Tariffs to Permit Importation of Manufactured Goods. Sees Difficulties in Foreign Trade Financing in This Country Unless We Are Prepared to Grant Permanent Long-Term Loans as Well as Short-Term Credits.

Among the goals set for our post-war economy exports hold a prominent place with about ten billion dollars.

It is generally believed, that there is a reasonable chance to reach this goal. The gigantic reconstruction job to be done in the devastated war-torn countries, the necessity of providing their industries with machinery and raw materials, the reconstruction of the transportation systems and the backlog of deferred demand in these countries, whose productive capacity for more than six years was wholly absorbed by war production, will create an immense demand for American goods. On the other hand there will be our enormously increased productive capacity, ready to satisfy this demand.

Rudolph Berdach

(Continued on page 1956)

Promise of the Future—Can We Muff It?

By DONALD B. WOODWARD*
Research Assistant to the President
The Mutual Life Insurance Company of New York

After Calling Attention to the Groundless Alarms in the Past Regarding the Public Debt and Other Adverse Developments, Mr. Woodward Maintains That the Moral Stamina and Technical Ingenuity of the English Speaking Peoples Will Overcome These Setbacks, and We Should Not Be Despondent Regarding the Future. However, He Points Out Four Possibilities of "Muffing": Viz. (1) Excessive Low Interest Rates, (2) Over-Pricing, (3) Misguided Pursuit of Nationalism, and (4) Excessive Governmental Intervention. Says Business Fluctuations Will Continue.

The period in which we live is filled with economic alarms, and cries of anguished apprehension resound in the land. Concern arises from many developments strange to our experience. The public debt has reached unprecedented heights and continues to mount. The price of gold has been changed, and there are rumors of further change. The reserve requirements of our central bank are being altered by law for the first time since that institution was

Donald B. Woodward

*An address by Mr. Woodward before the American Institute of Real Estate Appraisers, New York City, April 26, 1945.

(Continued on page 1950)

San Francisco Conference Tussles With Economic Problems

By A. WILFRED MAY
Special Correspondent of the Commercial and Financial Chronicle

Knotty Questions of Trustee-Economic Relationships, Trade Standards, Labor Protection, Raw Materials, Monetary and Exchange Controls, and the Like Come Up for Consideration and Discussion. NAM Presses for Enlargement of Economic and Social Council. Molotov Wants Trade Union Congress in International Organization. Asst. Secretary of Treasury Harry White Says Bretton Woods Can Function Without Formal United Nations Organization and That Role of Gold Is Not Main Issue. He Decries Conflict Between British and American Viewpoints.

SAN FRANCISCO, May 2.—While it had been thought by some before the opening of the Security Conference that the future control of raw materials under the trusteeship system would form an important part of the agenda, it can be said now on the highest authority that neither raw materials disposition nor trade agreement factors will be discussed here, although attempts will undoubtedly be made to introduce them. . . . The political angles of the trusteeship question assuredly will be knotty enough to settle. . . . The trustee-economic

A. Wilfred May

(Continued on page 1964)

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A Proposed Treaty With Germany

By DR. MAX WINKLER

Former Economic Adviser, Senate Sub-Committee on Banking and Currency

Expert on European Affairs Recalls Harsh Terms Imposed by Germany on Rumania in World War I and Proposes That Similar Terms Be Inflicted on Germany. Would Have German Ports Controlled; German Foreign Firms Liquidated; the Ruhr, Saar, and Silesian Industrial Regions Segregated; as Well as the Imposition of Reparations and the Use of German Labor for Reconstruction. Calls for German Maintenance of Army of Occupation.

Advocates of a "hard" peace for Germany and those favoring a "soft" peace may render difficult the problem which will confront the victors after the conflict. What shall be done to the country which has caused so much agony in the world? One thing is certain: The victors owe it to future generations to make it impossible for Germany ever again to repeat the ghastly spectacle of 1914 and 1939.

Dr. Max Winkler

According to the Scriptures, "Whatsoever ye would that men should do to you, do ye even so to them: for this is the law." Why cannot this principle be applied to Germany? It will be recalled that in May, 1918, the German armies, after crushing Rumania, signed the Treaty of Bucharest which ended the war between the Reich and the Balkan Kingdom. The terms were drafted by Berlin, and Rumania, whether she liked it or not, was told to sign on the dotted line. Why cannot this treaty, made in Germany by Germans, serve as a basis for a treaty to be submitted to the Germans for acceptance? One also recalls the well-known Latin adage, *Fas Ab Hoste Doceri*, which may be freely rendered thus: "It is your duty to learn from your enemy." In other words, let the Treaty of Bucharest teach us how to draft our treaty with Germany after our victory over her.

Salient features of the Bucharest Treaty and necessary adjustments of the proposed treaty for Germany are presented hereunder:

(Continued on page 1955)

W. E. Dodd Opens Own Firm in Providence

PROVIDENCE, R. I.—W. Earl Dodd has formed his own investment banking firm and will do business under the name of W. Earl Dodd & Company. Mr. Dodd for the past ten years has been deputy city clerk and city clerk of Providence. Prior thereto he was engaged in the investment business in Providence for more than twelve years. He has been associated with a Providence investment house since he left his city post some months ago.

Ayres Warns Against Premature Attempts at Exchange Control

Recalls We Had an Informal but Real International Monetary Fund to Peg Foreign Exchanges After World War I and It Broke Down, Causing a Revision From an Export Boom to Deflationary Collapse. Says It Was Due to Use of Strong Currencies to Support Weak Currencies. Urges Nations Put Domestic Economies in Order Before Fixing Exchange Rates. Holds "Hard" Way Will Prove Easiest in Long Run.

In a prepared statement made on May 1 to the House Banking and Currency Committee, having under consideration the bill to adopt the Bretton Woods pact, Brigadier General Leonard P. Ayres, Executive Vice President of the Cleveland Trust Company and Chairman of the Economic Policy Commission of the American Bankers Association, drew a parallel between the conditions following the last war when through pegging of European currencies and through loans to foreign governments efforts were made to stabilize exchange rates and encourage the purchase of American goods abroad. This policy, Mr. Ayres maintained was an "informal" but none the less real International Monetary Fund, and the fact that it soon broke down is a warning that the same result will follow in taking a similar line of action after this war.

Leonard P. Ayres

The text of General Ayres statement follows:

After the First World War this country made two serious economic errors. The first one was that we financed an export boom while this country was still short of goods. The inevitable result was inflation, which we had in 1919 and 1920. It was followed by the depression of 1921. Our other economic error was that we spent, and lost, billions of dollars in supporting weak foreign exchanges of nations that had not yet made serious efforts to put their economic affairs in order following the war. These experiences warrant us in examining with care and caution the proposal that we should try similar experiments following this war.

In 1917 the Congress authorized the Treasury Department to lend the European Allies 10 billion dollars. Approximately seven billions of this total had been lent by the time of the Armistice. Nearly all of the remaining three billions was lent by the middle of 1919. During the first four months after the Armistice the funds that were lent to Great Britain were used to peg sterling exchange. The firm of J. P. Morgan and Co., as agent for the British Government. used the dollars drawn from the United States Treasury to buy sterling exchange offered in the market, and by that purchasing held sterling exchange at a fixed rate.

Others of the European Allies also were receiving loans from the United States Treasury, and they were using them to support their currencies in the foreign exchange market. During the first

(Continued on page 1949)

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Schram Warns Tax on Speculation Is Inflationary

Stock Exchange Head Tells House Committee That, Because of Large Amount of Capital Awaiting Investment and the Need for New Capital in Industry, Marketability of Securities Is Highly Essential. Proposes Seven Changes in Securities and Exchange Act.

Testifying before the special House committee on Post-War Economic Policy and Planning on April 27, Emil Schram, President of the New York Stock Exchange, stated that although he was in favor of curbing runaway securities prices, he was opposed to a capital gains tax of 90% on transactions in real estate and securities on the ground that it might prove inflationary rather than deflationary. Mr. Schram stressed the need in the post-war period for attractive outlets for venture capital and the necessity of having a market for the negotiability of securities and a free flow of capital. Before beginning his testimony Mr. Schram submitted the following prepared statement to the committee:

Emil Schram

It is most gratifying to me, and I am sure to the representatives of business generally, that this able committee is addressing itself to the problems of the approaching transition and the early post-war period. I welcome the opportunity to offer some comments and observations, particularly as to the role of the securities markets in facilitating the flow of capital into industry.

As we emerge from war to a peace-time economy, the problems of readjustment will demand the same type of unity which has developed in the prosecution of the war and will require managerial skill and resourcefulness equal to those which are being applied in winning the war. Obviously, in the course of readjustment the transfer of personnel and equipment from various types of production to other types will necessitate the employment not only of short-term capital which may be obtained through the usual banking channels, but also long-term capital which can best be procured through recapitalization and the issuance of additional equity and debt securities.

It is impossible to predict how many billions of dollars will be required, but we do know that the demand will be of large proportions. Indeed, we may expect that the total of capital requirements will far exceed anything hitherto known in industry.

Private Funds Await Investment

Of one thing there seems to be no possible doubt—that the vast reservoirs of private funds built up over the past several years are awaiting an attractive outlet for investment and, irrespective of Government subsidies, the demand for the investment of venture capital will be great and will afford the most logical and, in the long run, the most economical method by which this capital financing may be accomplished.

It should be kept in mind in this connection that whereas the wealth of individuals in the form of cash, Government bonds, debt and equity securities, and other liquid assets, has reached the highest point in history, the corporate accumulations of liquid savings over the last 10 years has decreased. For instance, as of June 30, 1944, the holdings by individuals of cash and deposits was in excess of $84,000,000,000 and of United States Government securities over $46,000,000,000. On the other hand, while the earnings of industry have for the most part been the highest in history, the various tax and other restraints

(Continued on page 1945)

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Are Stock Prices Inflated?

"Investment Timing" Attacks the Eccles Theory That a 90% Capital Gains Tax Should Be Imposed to Restrict Speculation and Curb Inflation. Contends Stocks Have Not Materially Advanced During War and Are Low in Comparison With Advances in Many Economic Factors, and That Banning of Margin Accounts Would Merely Lead to Increased Borrowing on Collateral From Banks. Says a "Speculation Tax" Will Fail to Accomplish Its Purpose.

The stock market in recent weeks has had to contend with certain actions and statements apparently intended to restrict speculation and, by implication, cotinued advances in stock prices.

L. H. Bradshaw
Editor
"Investment Timing"

The Eccles Theory

Declaring that the entire stabilization program would be undermined if rising prices of farms, business properties and stocks were not checked, Marriner S. Eccles, Chairman of the Federal Reserve Board, advocated a 90% tax on capital gains derived from these sources. He asserted that there was nothing to stop the stock market and real estate from being bid up to any level, and that rural property had advanced 60% and urban property 40-50% in value over pre-war low levels and stocks 80% from the low point of 1942.

Increased margins have had practically no effect on prices generally, largely due to the fact that the majority of stock market transactions already were on a cash basis. While little enthusiasm has developed for the suggested 90% capital gains tax, with no legislation introduced in Congress to carry it out, there has been considerable discussion of

(Continued on page 1959)

Independent Bankers Association Favors Bretton Woods

Ben DuBois, Its President, Tells House Banking and Currency Committee That Proposals Will Aid in Expanding Exports of Surplus Products. Says Fund Agreement Is Elastic Enough to Permit Changes as Operational Experiences Require. Must Not Expect a Perfect Mechanism.

Speaking for the Independent Bankers Association, Ben DuBois, of Sauk Centre, Minn., its secretary, told the House Banking and Currency Committee on April 26, that his organization was in favor of adoption of the Bretton Woods Proposals. "We are a country bank organization," said Mr. DuBois. "Our members are not international bankers, nor are their views influenced by those big bankers, who in the past have dominated the International Exchange World. The bankers we represent perhaps are not entirely familiar with the mechanism of international exchange but they know the general pattern and they are well aware of the inadequacy of the old system.

Ben Du Bois

"It is the opinion of the Independent Bankers Association as expressed by its Executive Council—and perhaps our conclusions are arrived at instinctively—that the Bretton Woods Agreements are a definite step in the right direction. These Agreements amply protect the interests of the United States but at the same time, they are fair to the other nations of the world. We believe that the Fund and the Bank

(Continued on page 1953)

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"Futuristic Monetary Degeneracy" In Washington

By HERBERT M. BRATTER

Correspondent Observes That the Inflationary and Silver Blocs in and Out of Congress Are Attempting to Enforce Their Plans, While the Treasury Department Is Publicizing the "Spontaneous" Support of the Bretton Woods Proposals by Private Organizations. Points Out Federal Reserve Chairman Eccles' Arguments Against a Gold Reserve as a Move Toward Managed Currency and Concludes "That Congress May Exercise Its Power to Coin Our Money, but Greater Forces Determine the Value Thereof."

The reporter of monetary and financial affairs has difficulty these days keeping up with Washington developments and the literature recording the committee hearings and floor debates. During the past week various witnesses pro and con have testified on Bretton Woods before the House Banking and Currency Committee, and the Senate debated and passed the bill reducing the reserve ratio for Federal Reserve notes and deposits, including with its action a vote to repeal the $3,000,000,000 greenback provision of the Thomas Amendment of 1933. The one step is a recognition of inflation that has occurred. The other surrenders an inflation power whose magnitude has been dwarfed by the financial history of the war.

Herbert M. Bratter

Senator Elmer Thomas, author of that greenback amendment of 1933, is not only known as the Senate's most ardent inflationist, but also an important member of that cohesive bloc of Senators which has fathered the various silver subsidy laws of the past dozen years. The Thomas Amendment of 1933, in fact, included a provision authorizing the President to establish bimetallism. Why the Senate did not even discuss repeal of that unnecessary authorization when it repealed the greenback feature last week is a matter for surmise. On more than one occasion in recent years the Senate has legislated on monetary matters with a degree of confusion and inconsistency that can be attributed to log-rolling politics only in part—albeit usually large part.

Silver Bloc Has Plans

What has escaped general attention in the past week was Senator Thomas' participation in the debate on the reserve ratio reduction. In it the Oklahoma Senator gave public notice that he will propose a silver amendment to the Bretton Woods legislation, whenever the latter comes before the Senate. This is not surprising to anyone who has followed the doings of silver interests before, during, at, and since the Bretton Woods Conference of last July. One of the precious-metals advocates who made his appearance in the lobby of the Mt. Washington Hotel at Bretton Woods last year has been circulating in Washington during recent days. It goes without saying that prospective injection of the silver issue into Bretton Woods is not being viewed with equanimity by the Treasury Department. Doubtless it would be worth something to the Treasury to quiet these silver stirrings. Some Congress members think that they see in the pending RFC bill's provisions on premium price payments for copper, lead, and zinc certain domestic stockpiling implications which they regard as at least one effort to buy the silver bloc's support for BW. The Senate silver bloc, however, has not been known to sell its favors very cheaply. A bimettallism rider to the Bretton Woods bill should not be expected to make that plan more palatable to our overseas allies, whose delegations at the Conference evidenced decided disinterest in silver.

(Continued on page 1957)

Ryan Heads Dept. at Colonial Trust Co.

Colonial Trust Company, 57 William Street, New York City, announces the opening of a clearance department under the direction of Matthew T. Ryan. Mr. Ryan was formerly in charge of the clearance division of Empire Trust Company.

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Elisha M. Friedman Favors "Pools" To Finance Small Business

Calls for Organizations of Financial or Holding Companies to Advance Equity Capital. Recommends Tax Relief, Both to Small Business and to Financing Concerns. Calls for Immediate Action in That Direction.

Elisha M. Friedman, Consulting Economist, New York City, presented to the Sub-Committee on Small Business of the House of Representatives at the hearings held at the Federal Court House in New York City on April 12, a scheme for assisting small business concerns to obtain equity capital.

E. M. Friedman

"Small and intermediate business," Mr. Friedman stated, "finds it difficult and expensive to finance itself publicly. Formerly small business expanded through ploughing back undistributed profits and through investment by individual local capitalists. These methods have been restricted."

Continuing, Mr. Friedman stated that "government policy is largely responsible for the lack of financial facilities for expanding small business. Another 'Henry Ford' cannot arise under our present tax policy. A 40% corporation tax prevents ploughing back profits. An individual income tax up to 90% checks private investment by an individual. Bank affiliates, which used to aid small and intermediate business, were elim-

(Continued on page 1963)

Chairmen Appointed For N. Y. Fund Drive

Harry M. Addinsell, who heads the Finance Section for the Greater New York Fund's 1945 appeal, reports that 18 chairmen have been enlisted thus far to direct the activities of the divisions covering the financial field. Mr. Addinsell, who is chairman of the executive committee of the First Boston Corp., has been active in fund campaigns since 1941.

Harry M. Addinsell

The Finance Section obtained gifts totalling $763,344.27 in the 1944 appeal under Mr. Addinsell's leadership. The section embraces 21 divisions, grouped in the following categories: exchanges, fiduciary and insurance concerns. The campaign goal is $4,500,000 asked of business concerns and employee groups as business's share in helping to support 408 local hospitals, health and welfare agencies.

IBA Urges 'Investment Companies' To Finance Small Business

John F. Fennelly, Chairman of Small Business Committee, Presents Plan to House Post-War Policy and Planning Committee.

WASHINGTON, D. C.—A nation-wide system of local community investment companies was proposed on April 24 by the Investment Bankers Association of America as the solution to the problem of providing venture capital to small business. Testifying before the special post-war policy and planning committee of the House, John F. Fennelly, Chicago investment banker, presented complete specifications for a new type of financial institution. Spread over the country, they would form "a system of decentralized investment funds under the management of local business men who are the only persons well qualified to evaluate the merits of small local enterprises," the investment banker said.

John F. Fennelly

John F. Fennelly, partner of the Chicago firm of Glore, Forgan & Co., presented the proposal as Chairman of the I. B. A. small business committee. It calls for legislation that would authorize the Board of Governors of the Federal Reserve System to charter local investment companies which could buy securities of corporations in their localities and make loans to unincorporated businesses.

Financing for any one concern would be limited to $100,000 to make it definitely a service to "small business". Charters would be granted only after the Federal Reserve Bank in the district in which the investment company wanted to operate had investigated the qualifications of its directors and management and the need for the fund in the territory it proposed to cover. A minimum paid-in capital of $25,000 would be required of chartered companies.

Chartered, the investment company could expand its investment and loan funds by selling debentures to its Federal Reserve Bank up to three times the amount of its paid-in capital.

The I. B. A. plan suggests that the Federal Reserve Banks be authorized to devote to the purchase of these debentures some $139,000,000 originally advanced

(Continued on page 1951)

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Public Utility Securities

New Utility Common Stocks

As part of the heavy program of utility financing currently underway preceding the Seventh War Loan Drive, several new common stocks of utility companies are making their bow to the investing public.

West Virginia Water Service Company, common stock was recently offered by Allen & Company (New York) and Shea & Company (Boston) at $13.50 a share and met with an excellent reception, being currently quoted at 15⅝-¾. The company furnishes water service to a number of communities in West Virginia, including the large city of Charleston. Earnings have increased from $1.27 a share in 1940 to $1.55 in 1944, having probably been affected favorably by war activities at Charleston (the company's gross revenues increased about 18% during 140-44).

The stock was sold by Federal Water & Gas Corp. as part of that company's liquidation program to conform to the Public Utility Holding Company Act. The current market price reflects a price-earnings ratio of about 10, which seems low as compared with seasoned water stocks such as Hackensack, Plainfield, Torrington, Elizabethtown, Jamaica, etc., which sell to average about 15 to 20 times earnings. The indicated dividend rate is 80c, making the yield about 5.17%. The yields on other water issues vary considerably, but this return is slightly below the average yield for electric and gas equities.

On May 14 competitive bids are to be opened for the sale of 100,000 shares of **Mobile Gas Service Company** common and the stock will presumably be offered to the investing public shortly thereafter. It was originally intended to dispose of the stock (all owned by Consolidated Electric & Gas Company) last November when the company refunded its bonds and preferred stock. In 1944 earnings of about $1.50 per share on the common were reported on the new basis, but after adjusting for a substantial rate cut applied to a full year's operations, net per share would be reduced to about $1.37. However, the company set up a charge for excess profits taxes equivalent to $3.79 a share (adjusted basis, after allowing for separation of the company from the Consolidated Electric System). This huge tax burden (which is in addition to 62¢ for Federal income taxes) affords a good cushion against any loss of war business which may occur in Mobile. Local activities have been "blown up" by war, and it is estimated that the population has more than doubled since 1940. However, the management of Mobile seems confident that a substantial amount of the industrial business gained by the company in recent years can either be retained, or replaced by new industrial units after the war.

Natural gas utility stocks have been selling recently to average about 13½ times earnings and to yield about 5.85%.

Another new issue, which is being offered currently, is **Lake Superior District Power Company**, for which several banking groups offered competitive bids last Monday. The company earned $1.68 on the common stock last year and earnings should benefit if and when a refunding operation is effected for the first mortgage 3½s and possibly the 5% preferred stock. The company has a very good balance sheet position, cash assets at the year-end amounting to about $11 a share on the common stock (net current assets were over $9 a share, and may permit a substantial reduction in funded debt when the latter is refunded).

The company serves the Gogebic iron mining territory in northern Michigan and Wisconsin, and other local industries include agriculture, quarrying, dairy products, paper, veneer, pulp and explosives (a duPont plant). The iron ore industry furnished nearly one-third of the company's revenue last year, and some letdown in this business may occur after the war. Over a period of years there may be a further downtrend due to reduction in high-grade ore reserves. However, the use of lower-grade reserves is expected to be facilitated by experimental work now in progress. Earnings are also protected by excess profits taxes which were the equivalent of $1.43 a share in 1944.

The company in recent years has been paying 6% on the common stock (now owned by a subholding company in the Middle West system) which, if continued, would amount to $1.20 a share on the new stock. However, the rate would be cut to about $1.17 by a special Wisconsin tax which is withheld at the source.

Because of the recent popularity of utility stocks, these new issues are expected to attract considerable interest.

American Gas & Power 3-5s & 3.6s 1953
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Wolverine Power 4½s 1959

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Stabilizing Construction

By BEARDSLEY RUML*

Chairman, Federal Reserve Bank of New York
Treasurer of R. H. Macy and Company

Mr. Ruml, in Support of His Proposal for a Stabilization of the Construction Industry to Avoid Alternate Feast and Famine Conditions, Urges That a Congressional Investigation Be Undertaken to Plan the Future Program of Public Works and to Place the Construction Industry Under Federal Regulation, as a Quasi-Public Utility. Cautions Against Renewal of Reckless Spending for Public Works as in the 30's and Calls for End of Restrictive Practices in the Private Construction Industry. Sees Danger in Post-War Pressure for Accelerated Construction Projects to Offset Reconversion Unemployment.

When the New York Building Congress invited me to address this meeting, it did not do so under any misapprehension. I am not an authority on the construction industry as a whole nor an expert with respect to any of its parts. My interest in the construction industry is derived strictly from an interest in nationl fiscal policy, from a study of public works and conservation as one element in national fiscal policy; and therefore in the construction industry because of the vital relation between the construction industry on the one hand and public works and conservation on the other.

Beardsley Ruml

I also want to make clear that my attitude toward the industry and toward its problems is not one of hostility or of perfectionism. If some of my remarks are critical, they are not unfriendly. If they are incorrect or if they give a wrong impression, I should be the first to want to change them. I am not interested in sensationalism or in the purveying of colorful anecdotes.

Let me make clear what I mean. Occasionally during the past year in articles and speeches referring to the construction industry, I have used the phrases "impediments to efficiency" and "practices which all deplore" to cover a multitude of sins. Several weeks ago, the New York Building Trades Employers' Association wrote me that they had "many inquiries asking the question 'What are the impediments referred to by Mr. Ruml?'," and said that "We have been unable to answer them." In my reply I stated that it "is not my purpose to make explicit and colorful a situation which exists because of the inner necessity for survival" but we will come to these questions later on.

If we are to look at public works and conservation in relation to the construction industry as one and an important element of national fiscal policy, it is necessary to understand in broad terms what national fiscal policy is concerned with and what its objectives should be.

Fiscal Policy

National fiscal policy is concerned with the receipts and expenditures of the National Government, not in terms of specific objectives of public policy but as a series of aggregates. The objectives of fiscal and monetary policy are two, first to make sure that we shall have a sound currency, a medium of exchange that facilitates long-term financial transactions; and second, to insure that we shall have an efficient banking and credit mechanism for the use and convenience of the people.

To make sure that we shall have a sound currency, that the dollar shall not be put in danger of inflation, we must set out tax rates so that the disbursements made through our national budget at high employment will be balanced by receipts at high employment, whatever our conception of high employment may be. This means simply that at levels short of high employment our revenues may be expected to be less and our expenditures more than the amounts required for an even balance.

It is important to notice that in the post-war period the budgetary situation will be vastly different from anything we have hitherto known in peace time. The costs of the war and of national defense, interest charges and armament and other essential expenditures will have driven public disbursements, Federal, State and local, to undreamed of heights, probably not less than a total of 30 billions of dollars. As a result, probably for the first time, any necessary addition to private purchasing power through fiscal policy to insure a stable currency and high employment can be accomplished by tax reduction alone. We no longer need any public expenditure to provide purchasing power for its own sake, we do not need to tolerate unnecessary or inefficient expenditure, whether by public works or otherwise, to get the high level of employment we all agree is indispensable to preserve freedom in a private enterprise economic democracy. Tax

(Continued on page 1968)

*An address by Mr. Ruml at the 24th annual meeting of the New York Building Congress, Hotel Astor, New York City, April 24, 1945.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

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Are We Having A "Disguised" Capital Levy?

For the last decade, with Government encouragement, interest rates have been working steadily and substantially downward. Moreover, the trend as the Government pursues its war financing, has been accelerated and now we find in many quarters the thought arising that perhaps in post-war years Federal financing will be handled at even lower rates of interest. Certainly when one looks at the situation in the large, there appears to be developing a "climate" which will permit Uncle Sam to borrow his money to even better advantage than today.

Up to the present the Government's war-time financing has been carefully thought out and amazingly well executed, and as a concomitant to lower rates on Government bonds we find corporate borrowers too obtaining their funds at meager cost. A recent index, for example, of bond yields shows that top-grade industrial obligations are selling on a 2.5% basis, public utilities 2.6% and rails 2.7%. Similarly, choice preferreds are being issued at low rates;—a recent high-grade preferred issue carrying a $3.50 dividend was quickly absorbed at par.

Now let us try to look ahead a few years. We will come out of the war with American corporate enterprise as a whole possessing large working capital to an unprecedented degree. And after the several active years that have been experienced it is quite obvious that corporate borrowing of the long-term variety may be of modest proportions. So in the post-war period we may have the twin factors of huge investment funds seeking outlet and employment, and countless large American corporations needing relatively little in the way of new long-term financing. As a result industry will not be bidding for capital and absence of demand in that quarter may make it quite feasible for the Government to reduce interest rates on its future borrowing.

Another phase of the over-all investment situation that seems to be developing is interesting and significant. To a substantial extent **lenders may have to become owners.** By that we mean that investors who ordinarily would like to lend their money to industry through the purchase of bonds will be compelled, in their search for income, to buy common stocks and thus participate in ownership. Already, as a matter of fact, this trend is becoming apparent;—endowment funds are purchasing more and more common shares and in some sections insurance companies are seeking legislative permission to acquire equities. And as countless investors adopt a similar procedure, this can well in the aggregate lead to a strong and supporting force working to sustain equity prices.

Finally we often wonder whether this Government-directed trend toward lower interest rates is not, as we indicated in our caption, a "disguised" capital levy. For accumulated funds (capital) derive their value from what they can earn and if capital is to command a lower and lower return, are we not then as a matter of fact experiencing an indirect and screened levy on capital, which despite its being indirect and screened is nevertheless very real? Looking backward, we conclude that the first step along this road may have been the termination of paying interest on demand deposits by the banks;—extreme we thought it then, today we take it as a matter of course. And in the last decade the trend has developed in sweeping fashion, with the result that although labor's share and ownership's share have been reasonably stabilized or improved, lending-capital's share has been substantially reduced and may be even further reduced in the future. And this perhaps is a "disguised" capital levy, although up to now we may not have so recognized it.

Ralph E. Samuel & Co.

Alexander Wilson to Join A. W. Benkert Co.

Alexander Wilson, formerly general manager of The Financial Press of New York, and more recently assistant to the publisher of "The Commercial and Financial Chronicle," will become associated with the sales department of A. W. Benkert & Co., Inc., 70 Pine Street, New York City, next week.

Alexander Wilson

During Mr. Wilson's former connection with The Financial Press as sales promotion manager, over 15,000,000 copies of "The Investor's Pocket Manual" were sold to stock and bond brokerage houses in the United States and Canada.

Announcing the acquisition of the personnel and offices of

H. R. BAKER & CO.

and the admission of

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Walston Hoffman To Expand in California

Admit Soher, Morrill and Cullen to Partnership

SAN FRANCISCO, CALIF. — Statewide expansion of the brokerage firm of Walston, Hoffman & Goodwin, 265 Montgomery St., members of the New York and San Francisco Stock Exchanges, was announced coincident with the acquisition of the personnel, branch offices and business of the investment banking firm of H. R. Baker & Co., which is retiring from business.

Admission of Hubert J. Soher, Daniel J. Cullen and Clifton W. Morrill as general partners of Walston, Hoffman & Goodwin was simultaneously announced. Soher, Cullen and Morrill have been the sole general partners of H. R. Baker & Co. and their association with the expanded firm will give Walston, Hoffman & Goodwin complete brokerage, research and investment facilities.

Mr. Soher was formerly Financial Editor of the San Francisco "Chronicle" and he and Cullen were instrumental in organizing H. R. Baker & Co. in 1933. Mr. Morrill has been actively engaged in the brokerage and investment business for the past 17 years and at one time was Pacific Coast manager for a large New York brokerage firm. Mr. Cullen likewise has been prominently identified with the security business in San Francisco since 1928.

The enlarged partnership will also include the present general partners of Walston, Hoffman & Goodwin, who are V. C. Walston, Claire G. Hoffman, Clifford P. Hoffman, Claire V. Goodwin and Endicott J. King, and limited partners John J. Lucas and Claire G. Hoffman.

Through the H. R. Baker & Co. acquisition, Walston, Hoffman & Goodwin will operate 17 offices in San Francisco, Los Angeles, Oakland, Eureka, San Jose, Sacramento, Stockton, Modesto, Fresno, Bakersfield, Pasadena, Santa Monica, Beverly Hills, Santa Ana, San Diego, Long Beach and Vallejo.

Walston, Hoffman & Goodwin was founded in 1932 and holds memberships in the New York Stock Exchange and the San Francisco Stock Exchange. V. C. Walston, managing partner, in announcing the acquisition and expansion, said:

"We are convinced that the Pacific Coast will enjoy its greatest period of growth and prosperity during the coming decade and it is our intention to provide both industry and investors with a facility that will accord them the benefits of a statewide brokerage and investment banking firm."

Admission of Mr. Soher, Mr. Cullen and Mr. Morrill to partnership in Walston, Hoffman & Goodwin was previously reported in the "Chronicle" of April 19th.

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Construction Costs

The Construction Cost Index of The American Appraisal Company for March stands at 267 representing a one point increase for the first quarter of 1945. In 1926, which for the purposes of this index is construed as a normal year, the index stood at 217.

Labor and material costs remained constant during the first quarter although there was a slight increase in brick and cement prices and quotations for hot rolled and galvanized steel sheets were somewhat higher.

The American Appraisal Construction Cost Index is based upon a detail analysis of materials and labor required for four types of industrial buildings, repriced monthly in accordance with normal prices prevailing in 30 representative cities in the United States. The figures are based upon 100 representing 1913 costs.

The Company's national average index and indexes for 22 representative cities follows:

(1913 = 100)

	Normal Year 1926	Low Apr.-May 1933	March 1944	Jan. 1945	Feb. 1945	March 1945
National average (30 cities)	217	140	258	266	267	267
Twenty-two typical cities:						
Boston	223	157	259	266	266	266
New York	234	160	262	270	270	270
Buffalo	219	144	268	274	276	278
Baltimore	223	153	263	271	273	273
Philadelphia	225	150	262	269	271	271
Pittsburgh	235	154	265	270	270	270
Cincinnati	219	145	259	270	270	270
Cleveland	233	143	255	264	265	265
Chicago	219	149	250	253	254	254
Indianapolis	219	144	266	269	269	269
Detroit	224	140	265	272	272	275
Milwaukee	217	133	268	274	274	276
Minneapolis	197	142	246	261	261	261
Kansas City	219	142	255	263	263	264
St. Louis	230	151	252	256	258	259
Atlanta	212	135	267	271	273	273
Dallas	204	133	232	244	244	244
New Orleans	217	133	254	271	274	274
Denver	203	137	235	240	241	241
Seattle	198	129	260	272	273	273
San Francisco	187	133	234	241	241	241
Los Angeles	195	130	238	244	244	244

The indexes cover construction only and do not include factors for building decorations and fixtures. The indexes are based on normal average conditions and give no recognition to exceptional concessions, advances, bonuses or increased wages for overtime labor in individual cases or under temporary abnormal conditions.

The indexes for the respective cities do not indicate the relative costs between cities.

Construction Labor Wage Index

Based on hourly rate unadjusted for seven trades in 30 cities	228	163	289	294	295	295

Broker-Dealer Personnel Items

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

NEW YORK, N. Y.—**Eli Urdang** has become associated with **Coburn & Middlebrook,** 1 Wall Street. Mr. Urdang was previously with Morris Cohon & Co., E. W. Clucas & Co. and R. H. Johnson & Co.

NEW YORK, N. Y. — **Davis S. Bellows** is now with **H. Hentz & Co.,** 60 Beaver Street, in their research department. Mr. Bellows was formerly with F. P. Ristine & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—**William R. McLendon** has been added to the staff of **Abbott, Proctor & Paine,** 212 South Tyron Street.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO —**Edward J. Mellen, Jr.,** has become associated with **H. L. Emerson & Co., Inc.,** Union Commerce Building. Mr. Mellen has recently been serving with the armed forces. Prior thereto he was with Goodbody & Co. and Carl M. Loeb, Rhoades & Co.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, FLA. — **Henry M. Parr** is with **Southeastern Securities Corp.,** 308 West Adams Street, Jacksonville, Fla.

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, MAINE—**Donald L. Kelsey** has joined the staff of **Lincoln E. McRae,** 449 Main Street.

(Special to THE FINANCIAL CHRONICLE)

SALEM, OREG. — **Lawrence C. Maves** is connected with **Conrad, Bruce & Co.,** Oregon Building.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Charles G. Lumaghi** has rejoined the staff of **Central Republic Co.,** Security Building. Mr. Lumaghi has recently been serving with the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Edwin H. Demetrio** is with **Herrick, Waddell & Co.,** 418 Locust Street.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Melbourne E. Lampe** has become affiliated with **Stifel, Nicolaus & Co., Inc.,** 314 North Broadway.

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Hedging Against Inflation

Roger W. Babson Discusses Twenty Big Industries

BABSON PARK, MASS.—On a recent vacation in Florida, I had time to study America's greatest industries with special thought as to their safety for post-war investments.

The Big Five

(1) The industry best able to meet inflation should be RETAIL TRADE. Those concerns having a book value approximately equal to the selling price of their stocks are to be preferred. The variety chains should be safest of all.

Roger W. Babson

(2) The OIL GROUP should come next in order. With these should be included certain metal shares, although I do not like the coppers. Probably the greatest gamble, for good or ill, are the gold stocks.

(3) The CHEMICAL INDUSTRY should emerge from the war a leading post-war industry when the pharmaceutical group is included. Many new miracles are still in the laboratory stage.

(4) The ELECTRICAL EQUIPMENT INDUSTRY, including electronics and plastics, offers attractive fields—especially for returning servicemen.

(5) AVIATION should be included with the "Big Five," although its future is somewhat uncertain. I like best the transport companies; but their stocks now seem high compared with those of the airplane manufacturers.

An Investment Group

(6) The PAPER AND CONTAINER INDUSTRY should have better days ahead. This especially applies to some of the companies which have diversified in cans, plastics, glass and fibres, as well as paper.

(7) The RUBBER COMPANIES should make more money after the war. Current quotations, however, suggest that this group is only fairly priced, rather than attractively priced at the moment.

(8) The TEXTILE INDUSTRY should remain a sound investment for some years after the war. It also has a good ratio as to book values. No spectacular rise, however, can be expected in textile securities.

(9) I am not an authority on the TOBACCO INDUSTRY. My friends, however, insist that the tobacco stocks—other than cigar stocks—are reasonably priced and should be included in a diversified portfolio.

(10) Certainly the BUILDING AND FURNITURE INDUSTRY should be mentioned at this point as having a good post-war future. This includes the cement, paint and certain steel companies.

Uncertain Industries

(11) This group includes the HEAVY STEELS, which are in the "feast or famine" category; I am not now forecasting their post-war outlook.

(12) As a rule I like the FOOD STOCKS—baking, canning, dairy products, meat packing, quick freezing, beverages, shortenings, etc. They, however, are now too mixed up with Government regulations. However, I rate the DAIRY PRODUCTS **first,** and the CANNED FRUITS **last.**

(13) The post-war outlook for the AUTOMOBILE AND TRUCK INDUSTRY looks good to me now. I class it in this uncertain group because my associates believe prices of some automobile stocks are too high.

(14) BANKING AND INSURANCE stocks should be held to a limited amount by all investors who want **gradual growth** rather than **yield.**

(15) EQUIPMENT, for other than war purposes, should be in demand after the war. This applies to AGRICULTURAL MACHINERY and perhaps to RAILROAD EQUIPMENT. The immediate post-war future of OFFICE EQUIPMENT depends upon what the Allied Governments do with their surpluses.

Industries to Avoid

(16) The MACHINE TOOL INDUSTRY has had and passed its honeymoon.

(17) Certain PUBLIC UTILITY STOCKS, being or to be, liquidated, have profit possibilities; but the bloom is off the rest of the group.

(18) Profits of the COAL INDUSTRY should severely decline after the war. This especially applies to the anthracite companies.

(19) It seems as if the receipts of the MOTION PICTURE INDUSTRY would fall off after the war if television becomes universal.

(20) The worst of all industries is likely to be the RAILROAD INDUSTRY, including perhaps hotels, etc. Beware of the rails!

Businessman's Bookshelf

Suggested Standards for Determining Un-American Activities—The Brookings Institution, Washington, D. C.—paper—15c.

Taxation — MAPI Studies Transition and Post-War Taxation —Machinery & Allied Products Institute, 720 Twentieth Street, N. W., Washington 6, D. C.—paper.

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Schram Warns Tax on Speculation Is Inflationary

(Continued from page 1939)

upon the accumulation of surpluses by corporations necessitated by the demands of a war economy have left industry in a less favorable position so far as additional capital for reconversion and post-war purposes is concerned.

Tax Burdens

It would seem appropriate at this point to add that I agree with the propositions stated in the fourth report of your committee, from which I am pleased to quote:

"Partly as a result of the prewar trend and partly due to war-time necessities, the Federal tax system has placed steadily increasing burdens on risk-taking enterprise. On the one hand, it puts a premium on the avoidance of risk provided by the refuge from taxation through tax-exempt securities. On the other hand, it has imposed double taxation on income derived from business dividends and has placed excessive burdens on those businesses and individuals to whom we must look for a large share of the funds required for the expansion of employment opportunities. An adequate reduction in such tax burdens is essential . . ."

This, it would seem to me, should be one of the first considerations with respect to the needs of business during the transition and early post-war period. This would provide the incentive for, or at least remove the deterrent to, the flow of our vast individual wealth into the channels of industry through capital investment.

The function of the Exchange and other securities markets is to provide a market for the securities which grow out of the capitalization or recapitalization of the issuing companies, after their primary distribution to the public. The ultimate possibility of such securities finding a free and open liquid market for their sale is an essential consideration to both the companies and those that handle their financing.

This is of particular importance as applied to the problem of post-war financing because most of such financing will involve existing companies whose present debt and equity securities are already widely distributed among the public and are dealt in on the various securities markets. In other words, the demand will be for investment to finance new enterprises of established business, rather than brand new ventures. Every encouragement must be given, therefore, to that freedom of action which is provided by the stock markets; in other words, so that the demands for new capital may have all of the advantages of marketability.

Marketability Essential to Investment

Coming now specifically to the extension of trading facilities to a larger number of securities and the consequent facilitation of the flow of capital to business enterprises, the answer, based upon long experience, is that people are unwilling to invest in securities unless there is a ready, adequate market. It is axiomatic that the willingness to risk bears a direct relationship to the ability to limit loss, on the one hand, and to realize profit on the other. The marketability provided by a securities market such as ours is necessary, therefore, to the flow of capital into business enterprises.

However, we feel strongly that such extension of trading facilities must not be accompanied by any relaxation of the underlying requirements of the various exchanges. These have been designed to provide a maximum of protection to the investing public, and while some phases of regulation of the financial markets in recent years have unnecessarily interfered with the free flow of venture capital, the effect of regulation, in the main, has been most beneficial. Some revision of the Securities Act of 1933 and the Securities Exchange Act of 1934 is undoubtedly desirable. It would be disingenuous to contend that the more than 10 years of experience with the Acts has not given evidence of the need for some revision. A complete discussion of such revision would require an exhaustive analysis and far more of this committee's time than is available. The most important revisions which those in the securities industry have indicated to be desirable and necessary may be summarized as follows:

Certainly any revision of the Securities Acts should seek only to make these statutes more workable and, in modifying their provisions governing procedures, the purpose should be to make it possible to transact business more efficiently without impairing in any way the protection afforded to investors.

Proposed Changes of Securities Acts

The proposals of the securities industry with respect to the Securities Act of 1933 have been chiefly concerned with the following problems:

I. The use of information prior to and after the effective date of a registration statement;

II. The requirements as to the use and delivery of prospectuses;

III. Simplification of registration procedure;

IV. The exemption of small issues and of certain classes of issuers and of transactions from the registration procedure, but not from the fraud provisions of the Act;

V. The bases of liability under Section 12 with respect to the dissemination of information relating to securities already outstanding in the hands of the public;

VI. The scope of the registration requirements of the Act as determined by the meaning of the term "public offering"; and

VII. The size and organization of the Commission itself and the general administration of the Act.

The proposals by the representatives of the securities industry with respect to the Securities Exchange Act of 1934 were made with a view to permitting the more efficient functioning of the nation's securities markets without impairing in any way the protection afforded to investors by the provisions of the Act. These proposals of the industry have been chiefly concerned with the following problems:

I. The scope of the provisions of the Exchange Act;

II. Simplification and clarification of the registration process;

III. Elimination of the threat of segregation;

IV. Extension of credit on new issues.

These matters are dealt with in greater detail in the attached foreword to the Report on the Conferences with the Securities and Exchange Commission and its staff by representatives of the Investment Bankers Association of America, National Association of Securities Dealers, Inc., New York Curb Exchange, and New York Stock Exchange, dated July 30, 1941.

To sum up regarding possible changes in Government regulations and exchange rules, I would advocate as a statement of basic policy that it would best serve the interests of our economy, and therefore the facilitation of the flow of capital to industry, to permit the greatest degree of freedom and self-regulation consistent with the prevention of fraud and the principle of the disclosure of material information.

As to what facilities are necessary to supply capital to businesses that do not have access to organized security markets, this is something which perhaps those representing the commercial and investment bankers are better qualified to comment upon. The needs of small business will be perhaps proportionately greater than the requirements of the large, well-capitalized corporation. Provision should be made to take care of these needs.

Suggestions have already been made to your committee which would appear to be practical and constructive. I might say that it is obviously of the utmost importance that those who will be called upon to furnish capital be assured that the various controls which have been accepted as an integral part of our national policy for the duration of the war-created emergency are temporary and will be relaxed as soon as conditions permit. Similarly, it is of the utmost importance that the policy of Congress with respect to tax revision be made known as soon as possible, so that corporate enterprise, both large and small, may be in a position to plan its post-war programs and determine its post-war requirements.

In conclusion may I say that I have every confidence in the ability of business to cope with the numerous problems of the post-war period to come. However, the celerity with which these problems may be solved will depend in large measure upon the preparations which are made now for their solution. Your committee has the opportunity to contribute greatly to these preparations. I am sure that out of your hearings will come recommendations which will go a long way toward assuring success in the post-war period.

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A group headed by Stone & Webster and Blodget, Inc., on May 2 offered publicly $59,000,000 Virginia Electric & Power Co. 1st and refunding mortgage bonds, series E 2¾%, due March 1, 1975, at 101½ and accrued interest from March 1, 1945. The company will apply the net proceeds from the sale of these bonds, together with $4,035,791 of escrow funds held by the mortgage trustee, and about $3,450,000 general funds, to the redemption of all the outstanding $63.5 million first and refunding mortgage bonds, consisting of $37.5 million series B 3½s, $3 million series C 3⅛s, and $23 million series D 3s.

Monumental Insurance Shares Placed Publicly

The First Boston Corp. on May 1 sold a block of 13,800 shares of capital stock of the Monumental Life Insurance Co. at $34.50 per share. The offering, which is the first public distribution of stock of the company, does not represent new financing.

Incorporated in Maryland in 1858 as the Maryland Mutual Life and Fire Insurance Co., Monumental converted to a stock basis in 1928 with a paid-in capital and surplus of $546,850. Based on life insurance in force at the end of 1943, the company ranked nineteenth among the 309 stock life insurance companies in the country. Premium income for 1944 was more than $14,000,000.

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NOTE—From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number eighty-five of a series.
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Americana

This recorder has a friend here at Schenley who some years ago visited quite a number of old historic taverns in England. Recently he presented us with a book replete with illustrations descriptive of some of the more interesting old places. He said, "Why don't you write a piece about some early *American* taverns? Do a little digging and you'll find it a fascinating pastime." So we've done a bit of "digging" and true enough, one can find enough material to write a dozen articles like this because surely the tavern played an important part in the social life of the Colonies for many years before and during the Revolutionary War.

Since there is a first time for everything, we tried to find out something about the *first tavern* in what is now New York. Well, we find that the first one was built in 1642 in New Amsterdam—before its name was changed to New York. It was located not far from what is today Bowling Green, by the then Dutch Governor Kieft. It seems that the Governor tired of entertaining guests in his own home, so he built a tavern for the West India Company. Then he leased it to one Phillip Girairdy (sometimes called Gerritson), with the stipulation that only such liquors as were traded in by the West India Company should be sold therein. It was known as the Stadt Harberg or City Tavern. Later it graduated and became the Stadt Huys or City Hall.

Way back in those days the tavern was not only hotel and refreshment place, but frequently it was also the meeting place for the City Fathers or City Council. It was the center of social functions in the community. It was hotel, restaurant, town hall, club and country club all in one.

And this is most interesting. Even in the dawn of our American civilization, taverns were rigidly regulated and licensed, even to the hours and days of their operation. Licenses were issued by the local administrative body. The early Colonial tavernkeeper was among the most highly respected members of the community. In fact, in early New York, only voters (landholders) and men of exemplary character were able to obtain tavern licenses.

And so this is just a little nibble. We hope to follow with several other pieces about taverns and their famed proprietors during the Revolutionary period. . . . The deeper we dig, the more interesting the revelations.

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New Wellington Partnership

The present partnership of Wellington & Co., 120 Broadway, New York City, members of the New York Stock Exchange, was dissolved as of April 30th. On May 1st, a new partnership consisting of Herbert G. Wellington, Exchange member, and Raymond B. Haynes was formed. William W. Cumberland is no longer a partner in the firm.

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Fire and Casualty Insurance Stocks Manual, with Bank Stocks Section — Includes 1944 year-end figures of over 30 active issues—Available to all dealers upon request—**White & Company**, Mississippi Valley Trust Building, St. Louis 1, Mo.

Monthly Stock and Bond Summaries—May be had at a cost of $72 each per year, or a total of $144 a year for the complete service which includes two cloth bound volumes and ten paper bound issues—a special free trial offer is available—**National Quotation Bureau**, 46 Front Street, New York, N. Y.

Quarterly Canadian Review—Includes a Review of current Canadian Conditions and brief analyses of six Canadian Provinces—**Dominion Securities Corporation**, 40 Exchange Place, New York 5, N. Y.

Railroad Review, 1945 Edition—Factual study in booklet form of 41 selected class I railroads giving seven years earnings record, debt retirement performance, etc. — **Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

Real Estate Bonds—A tabulated circular — **Seligman, Lubetkin & Co.**, 41 Broad Street, New York 4, N. Y.

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

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.

Canadian Pacific Railway Company—Summary of pertinent facts —**Eisele & King, Libaire, Stout & Co.**, 50 Broadway, New York 4, N. Y.

Data also available on **Northern Pacific** and **Illinois Central**.

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

Also available are circulars on **Kingan & Co.** and **Riverside Cement**.

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

The Cliffs Corporation and **The Cleveland-Cliffs Iron Company**, offering a portfolio of representative steel stocks—Also a discussion of some assuring aspects of the steel industry—**Amott, Baker & Co., Inc.**, 150 Broadway, New York 7, 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.

Also available are memoranda on **Liquidometer Corp.**, **Great American Industries, Hartman Tobacco** and **New Bedford Rayon.**

Department of Water and Power of the City of Los Angeles, Calif.—Call features on all revenue issues presently outstanding —**The First Boston Corporation**, 100 Broadway, New York 6, N. Y.

A. De Pinna Company—Descriptive circular—**Herrick, Waddell & Co., Inc.**, 55 Liberty Street, New York 5, 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.

Empire Steel Corp.—Annual report—**Hill, Thompson & Co., Inc.**, 120 Broadway, New York 5, N. Y.

Four Wheel Drive Auto Company—Four-page illustrated brochure, for dealers only—**Comstock & Co.**, 231 South La Salle Street, Chicago 4, Ill.

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

General Industries Co. — Detailed discussion of position and outlook — **Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

(Continued on page 1947)

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Timid Capital Needs Encouragement, Not Competition From Government, Says Folger

Timid capital needs encouragement and guidance from government, and not government competition, John Clifford Folger, President of the Investment Bankers Association of America, told the special House committee on post-war policy and planning.

"What we need is an awareness of the importance of getting private capital to work," the investment banker who is president of the Washington, D. C., firm of Folger, Nolan, Inc., told the committee. To that end he urged that "top-flight men with experience, understanding and sympathy for investment problems" be added to three Cabinet departments and two other Government agencies.


John Clifford Folger

Such men charged with encouraging investments should be in the Treasury, Commerce and State Departments, the Federal Reserve System, and the Securities and Exchange Commission, he said.

Bottlenecks stalling private investment are easily spotted, he said. Among the means of eliminating them he included tax relief for business, with provisions for averaging losses and gains backwards and forwards for five years, lower capital gains taxes, and lower small corporation taxes.

"Give the large investor his chance for capital gains and avoid soaking corporations before the money ever gets to the stockholder," he said. "This will help new and small businesses tax-wise and will do more than anything to get venture capital out in the open."

Other proposals made to the committee included simplification of SEC regulation rules. "In my opinion," Mr. Folger said, "the SEC should be more concerned with the main purposes of getting savings into business rather than with the functions of regulation." There is also need, he said, for some changes in laws and rules governing the investments of trusts and the funds of institutions to provide greater flexibility.

Walter Norris Heads Cruttenden Co. Dept.

CHICAGO, ILL.—Cruttenden & Co., 209 South La Salle Street, members New York and Chicago Stock Exchanges, announce the appointment of Walter F. (Dick) Norris as manager of their sales department.

Mr. Norris was for the past three years Vice-President of Commerce Union Bank of Nashville, Tenn., and previously was Vice-President of C. F. Childs & Co. in both their Kansas City and Chicago offices.

His association with Cruttenden & Co. was previously reported in the "Chronicle" of April 12th.

Los Angeles Transit Stock Placed on Market

A group of investment bankers headed by Blyth & Co., Inc., on April 27 offered at $6.50 a share 429,200 shares of common stock ($10 par) of Los Angeles Transit Lines, formerly Los Angeles Railway Corp. The stock represents holdings of American City Lines, Inc.

The company's articles of incorporation have been amended to effect a recapitalization by which the 5% non-cumulative preferred stock, 89,544 shares of which were outstanding, has been eliminated, each share being changed into two shares of new common stock, and each of the 200,000 shares of no par value common outstanding changed into one share of the new $10 par stock.

Consumer Banking Inst. Publishes Booklet

A Legal Digest of Laws, Opinions and Rulings affecting industrial banking operations has just been produced by the Consumer Banking Institute. The book is up to date through 1944 and contains an unusual collection of important information, heretofore unavailable under one cover, of interest in industrial banking, personal loan departments of commercial banks and kindred operations. It is a digest of all state and federal laws regarding industrial banking and personal loan operations. It is available in limited quantity at $4.00 per copy.

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Consolidated Electric & Gas Co.	Deb.	6	due 1957
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Seattle Gas Company	1st & Ref.	5	due 1954
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Dealer-Broker Investment Recommendations and Literature

(Continued from page 1946)

Also available is a report on **National Stamping Co.**

Albert Frank-Guenther Law, Inc., preferred stock—Circular—**George R. Cooley & Co., Inc.**, 52 William Street, New York 5, N. Y.

Hallicrafters Co.—Descriptive memorandum—**Doyle, O'Connor & Co., Inc.**, 135 South La Salle Street, Chicago 3, Ill.

M. A. Hanna Co. and **Hooker Electro Chemical**—Engineering field reports available—**Herzog & Co.**, 170 Broadway, New York 7, N. Y.

Kingan Company—Descriptive circular—**C. E. de Willers & Co.**, 120 Broadway, New York 5, N. Y. Also available is a memorandum on **Macfadden Pub. Inc.**

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

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

Merchants Distilling Corp.—Descriptive brochure—**Bennett, Spanier & Co., Inc.**, 105 South La Salle Street, Chicago 3, Ill.

Mid Continent Airlines, Inc., memorandum—**Kitchen & Co.**, 135 South La Salle Street, Chicago 3, Ill.

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

New York Central Railroad—A review—**H. Hentz & Co.**, 60 Beaver Street, New York 4, N. Y. Also available a memorandum of **Research Comment.**

New York, Chicago & St. Louis Railroad 3¼s of June 1, 1938—Offering circular—**Hirsch & Co.**, 25 Broad Street, New York 4, N.Y.

Northern Pacific Railway Company—Discussion of "Better Times Ahead"—**Vilas & Hickey**, 49 Wall Street, New York City.

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

Pfaudler Co.—Recent analysis discussing outlook for the company which manufactures glass lined and stainless steel tanks and equipment—**Caswell & Co.**, 120 South La Salle Street, Chicago 3, Ill.

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

Public National Bank & Trust Company—Analysis and current notes—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Reed Drug Co.—Discussion of class A convertible stock for income and possible appreciation, and the common stock as a speculation—**First Colony Corporation**, 70 Pine Street, New York 5, N. Y.

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

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

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

Serrick Corp. class A—Current bulletin—**Sills, Minton & Co., Inc.**, 209 South La Salle Street, Chicago 4, Illinois.

Stromberg-Carlson—Descriptive circular—**J. F. Reilly & Co.**, 111 Broadway, New York 6, N. Y. Also available are circulars on **Bowser, Inc.**, and **Foundation Co.**

Sylvania Industrial Corporation—Discussion of five attractive features of the situation, which is considered as a dividend-paying peace-time growth stock with good war-time earnings by **Loewi & Co.**, 225 East Mason Street, Milwaukee, Wis.

TACA Airways SA.—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.; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hortford-Empire; Maine Central Pfd.; Moxie; Southeastern Corp.; United Piece Dye Works; Detroit Harvester; Boston & Maine; Buda Co.; Federal Machine & Welding; Gleaner Harvester; Liberty Aircraft Products; Lamson-Sessions; Berkshire Fine Spinning, Bowser, Inc.; New Jersey Worsted; Mohawk Rubber Co.,** and **P. R. Mallory.**

Wellman Engineering Co.—Descriptive circular—**Simons, Linburn & Co.**, 25 Broad Street, New York 4, N. Y.

York Corrugating Co.—New statistical report—**First Colony Corporation**, 70 Pine Street, 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.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

Joseph A. Babbert has become associated with **Ames, Emerich & Co., Inc.**, 105 South La Salle Street. Mr. Babbert has recently been with Robert J. Phillips & Co.; prior thereto he was in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

Raymond F. Revell has been added to the staff of **Comstock & Co.**, 231 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

Henry G. Hotchkiss is now with **Howard F. Detmer & Co.**, 105 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

J. Arthur Madden is now affiliated with **Eastman, Dillon & Co.**, 135 South La Salle Street. Mr. Madden was formerly with C. W. McNear & Co., First Cleveland Corp., Barcus, Kindred & Co. and Stifel, Nicolaus & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

Harry M. Fridley has joined the staff of **Westheimer & Co.**, 326 Walnut Street, Cincinnati, Ohio. In the past he was with Laidlaw & Co. of New York and was Washington, D. C. manager for Harriman & Co.

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Pennsylvania Brevities

U. G. I. Will Stick It Out

At next Monday's annual meeting, management of United Gas Improvement Co. will vigorously oppose a plan of liquidation and dissolution which will be offered by two stockholders.

Over the last two years, U.G.I. in conformance with divestment orders entered by the Securities and Exchange Commission under the provisions of the Holding Company Act, has been unhappily shorn of some of its largest and choicest holdings, notably its investments in Philadelphia Electric Co. and Public Service of New Jersey. Further sales and distributions may be in order, but as for complete liquidation the answer is to be a firm and definite "No."

The stockholders' resolution will contend that the amount that stockholders would receive in liquidation would be in excess of the present market value of the shares. It will further state that it is the belief that U.G.I. will continue to function as an investment concern and that investment trust stocks, generally, sell at less than liquidating values.

Management will counter with a statement to the effect that the company is not and does not intend to become an investment trust, and that it will continue to own and operate public utility companies as it has been doing since its organization in 1882. It will be further pointed out that forced sales might be disadvantageous to the stockholders and that contingent liabilities in the form of guarantees would present legal obstacles to dissolution.

Among other substantial but miscellaneous holdings, U.G.I. has retained a strong nucleus of properties operating within Pennsylvania. Most important are Allentown-Bethlehem Gas, Consumers Gas of Reading, Luzerne County Gas & Electric and Harrisburg Gas companies.

Corporation Notes

For the first six months of the current fiscal year, York Corporation reports total sales of $20,755,607 compared with $17,337,295 for the like period last year. Net profit, after deducting $104,000 for war and post-war contingencies, amounted to $623,700. In excess of 92% of the $19,207,855 uncompleted orders at March 31, 1945, involved refrigeration and air conditioning equipment for direct war use and essential civilian purposes related to the war effort. After an investigation which revealed no excessive profits, the company was cleared of any renegotiation liability through Sept. 30, 1944.

Autocar, for quarter ended March 31, reports net profit of $354,438, after charges, income taxes and reserve for renegotiation, equal, after preferred requirements, to 71 cents per share on the 485,230 common shares outstanding.

At the annual meeting of Warner Co. April 23, A. D. Warner, Jr., Treasurer, stated that active consideration was being given the proposed plan of recapitalization. It appears probable that holders of the first preferred will be offered income debentures plus additional common in settlement of their claim for par and accrued dividends. The management is expecting an expansion of activity as soon after V-E Day as manpower and materials become available.

Last week's successful secondary offering of 600,000 shares of National Power & Light Co. common represented the sale by Lehigh Coal & Navigation Co. of all but 100,000 shares of its holdings of this issue. Proceeds will be used to retire funded debt. The sale further precludes the possibility of the company being classified as a holding company under the Utility Act.

Edward G. Budd Mfg. Co. reports that New York to Florida railroad passenger service will be facilitated by the addition of 48 stainless steel cars, orders for which have been placed. Thirty of the cars are being purchased by Seaboard Air Line, ten by (Continued on page 1949)

Wm. Barclay Named Treasurer of NASD

William K. Barclay, Jr., Stein Bros. & Boyce, Philadelphia, has been elected treasurer of the National Association of Securities Dealers to succeed John H. Barret of Stern Bros. & Co., Kansas City, Mo., who resigned. Mr. Barclay will also serve on the executive and finance committees.

Mr. Barret has resigned as secretary of his firm to devote his full time to his personal affairs.

R. C. Miller on Sick List

R. Conover Miller, partner of E. W. and R. C. Miller & Co., Philadelphia, was stricken with a heart attack last week and will be confined to his home, under doctor's orders, for at least a month.

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Pennsylvania Municipals

By RUSSELL M. DOTTS

With the war in Europe drawing to a close, our thoughts are turning to the post-war period. The Municipal Bond Market, like all other businesses, will undergo certain changes. These changes will, no doubt, be more gradual because of the continuation of the war with Japan. But there will be some changes in all business after V-E Day, and a partial reconversion to domestic and capital goods will enable municipalities to plan for the necessities that have been postponed for the past ten years for one reason or another.

Russell M. Dotts

The complexity of the problem is even more evident when we consider that there are over 155,000 governmental units in the United States, and an ever increasing number of revenue projects. Estimates of the amount of post-war financing vary anywhere from $5,000,000,000 to $10,000,000,000 for the first four or five years. We must also give consideration to the present high prices, uncertain national policies as to production, inflation, taxation and free enterprise, also the necessity for continued peak tax rates.

The future expenditures of municipalities will be influenced in several ways. In recent years there has been practically no new financing, most of the bonds sold have been refunding issues at savings in interest to the municipality. Then, too, a reduction in debt has been substantial in the past decade. Thus municipalities will enter the post-war era stronger than they have ever been. The municipal economy will also be influenced by the desire of people for leisure and a better place to live. The social philosophy and economic consequences of those desires would occasion further changes in the municipal finance picture. Municipal finance will also be affected by the tremendous pressure for employment of veterans and war workers on public payrolls. The pressure will be greater on the States, but also plentiful for the local community.

There will be a flood of new municipal bond issues for post-war public works of all kinds, schools, roads, revenue projects, public authorities and even the issuance of soldier bonus bonds by many States. Many municipalities have planning boards or other groups organized for this purpose. In fact, some have already taken advantage of the low money market to sell their bonds in anticipation of the work to be done.

It would seem then that we can look forward to a good municipal market in the immediate post-war years. Some troubles, however, are bound to appear—the possibility of unemployment, shifting populations, general decline of business, over-expansion and development, the continued threat of the taxation of municipal bonds and the possible control of the secondary and trading markets by the SEC which, as pointed out at the recent hearings on the Boren Bill before the Interstate and Foreign Commerce Committee in Washington, would hamper the original sale of bonds by municipalities as well as increase the interest cost to them.

Municipalities and local governments have a record of payment of their debts which cannot be equalled or approached by any general class of security, except the obligations of the U. S. Government. There is every reason to believe that the present outstanding municipal loans and those of the future will have, at least, as good a record in the years following the war. Vigilance, however, is necessary both on the part of the municipal officials and the municipal bond buyer during this period.

Miller-Wohl Preferred And Common Issues Oversubscribed

Allen & Co. on April 30 offered 30,000 shares of 5% cumulative convertible preferred stock (par $50) and 50,000 shares of common stock (par $1) of the Miller-Wohl Co., Inc., operators of a chain of women's wearing apparel stores. The preferred stock was priced to the public at $50 per share plus accrued dividend and the common at $13.50 per share. Both issues have been oversubscribed. Sale of 15,000 shares of preferred stock and 50,000 shares of common stock is being made for the account of stockholders and does not represent any financing by the company.

Proceeds from the sale of 15,000 shares of preferred stock will be used to retire a $500,000 promissory note held by The Chase National Bank of the City of New York, which was originally obtained for additional working capital purposes. The balance of the proceeds will be used to pay in part the cost of opening additional stores that have been leased, and of enlarging existing stores.

Fabian Levy Dead

Last week marked the passing of Fabian F. Levy, long well known in Philadelphia investment circles, and more recently employed with Mackubin, Legg & Co., Baltimore, as statistician. Mr. Levy was a veteran of World War I, a member of the American Legion, the Society of 40 and 8, and the Old Guard of the State Fencibles. He was graduated from the Wharton School of the University of Pennsylvania in 1908. He formerly conducted his own securities firm in Philadelphia.

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PITTSBURGH

Ayres Warns Against Premature Attempts at Exchange Control

(Continued from page 1938)

four months following the Armistice of the last war we had in operation a simple form of International Monetary Fund which stabilized or supported foreign exchange rates by using funds lent by the strong creditor country, which was the United States. Then late in March of 1919 the British announced that they would no longer continue to peg sterling, and there followed a sharp drop in the price of sterling exchange, and in the exchanges of nearly all the European countries.

Exchange Rates Kept Higher Than Justified

However, the exchange rates for nearly all the European currencies continued to be far higher than was justified by their fiscal and economic conditions. The reason for their strength was that the loans from our government to the European governments continued to provide funds with which the exchange rates of those countries were artificially supported, even although they were not actually stabilized. The result was that we had an export boom, and a serious postwar inflation.

Support of the foreign exchanges by our dollars in the first half of 1919 was a sufficiently powerful factor to check the business decline which had begun here after the Armistice, and to generate a violent boom accompanied by soaring prices. Our exports grew with unprecedented rapidity. This country was short of goods, much as it is now, and we continued to strip it of goods and to ship them abroad. In 1919 our exports amounted to nearly eight billions of dollars, far in excess of any previous yearly total. Wholesale prices had been at the time of the Armistice 203 per cent of the pre-war level. By February of 1919 they had declined 10 points to 193, but by December they had soared 30 points to 223.

In 1919 the Continent of Europe was prostrate in an economic sense, but it was buying from us without limit of price or quantity everything it could get from us with its inflated paper money offered in the exchange markets. The results were boom, then inflation, and then deflation.

Artificial Expansion of Exports

In 1920 the value of our exports was nearly eight, and a quarter billions, which remained the greatest figure in our history until the establishment of Lend Lease. Wholesale prices continued to advance until May when they reached 247 per cent of pre-war levels. Then deflation began. There was no more support for the foreign exchanges. We were no longer willing to accept the depreciating currencies of Europe, and neither was London, which had retained faith in them longer than we had. Prices which had been 247 in May of 1920 fell to 179 by December, and to 139 by the end of 1921. Wheat which had sold in New York for $3.35 a bushel in 1920 fell to $1.09 in 1921. Cotton fell from 44 cents a pound to 11 cents.

Our exports, which had been going out at an annual rate of over 11 billions a year in one month of 1919, and of nearly 10 billions a year in three months of 1920, fell to a rate of only three and one-half billions by the end of 1921. The dollar had become a scarce currency in the foreign exchange markets. Foreign exchanges which were stabilized and supported with our funds had generated a boom and an inflation in this country, and these conditions had been promptly followed by deflation and depression. The statistics and the economics of that period are explained in detail in various issues of the Economic Bulletin of the Chase National Bank of New York, written by their economist, Dr. Benjamin M. Anderson.

At the beginning of 1919 the exchange values of the currencies of England, France, Belgium, and Italy had all been close to their par values. Two years later, at the close of 1920, the exchange value of the British pound was 72 per cent of its par. That of the French franc was 30 per cent of par. The Belgian franc was 32 per cent of its mint par, and the Italian lira was 18 per cent. Our public loans and our private funds that had been used to support the exchange values of their currencies had harmed them, and they had harmed us.

We should have been much better off if we had taken our post-war readjustment at the end of the war instead of two years later. We were all braced for it then. Our industries and our banks were financially strong. Instead of that we spent most of three billion dollars of public funds in supporting foreign exchanges, and a somewhat larger amount of private funds in financing the export boom on credit. We generated an immense real estate boom, and extensive speculation in farm lands.

Better the "Hard Way"

It would have been better for the nations on the Continent of Europe to have faced their problems the hard way. That hard way would have called for cutting expenditures, reducing borrowing, working towards the balancing of budgets with taxes, and stopping the printing of irredeemable paper money. The easy way was to ask the central bank to print bank notes, and to use them for pensions, and unemployment relief, and the rebuilding of shelled cities. Then the people could use the irredeemable money to buy foreign goods as long as the foreign exchange markets would take it.

Most of the continental nations did it the easy way at first, and then the hard way after internal currency disorders had brought about intolerable domestic conditions. The solution of their problems was merely deferred when billions were wasted in 1919 and 1920 in the futile supporting of foreign exchange rates.

All this may be summed up by noting that we had after the last war an extensive, and very expensive, experience with the workings of an informal but real International Monetary Fund. The strong currencies, which were the dollar and the pound, were used to support the weak currencies in the foreign exchange markets. The support was given before the nations having the weak currencies had seriously attempted to put their domestic economies in order.

We financed an export boom while we were still short of goods, and brought on inflation here, followed by depression. When we stopped extending credit to the countries of Europe they had inflations, followed by depressions. The experiment was a complete and costly failure for them and for us.

Pennsylvania Brevities

(Continued from page 1948)

Pennsylvania RR. and eight by Richmond, Fredericksburg & Potomac. Total cost is about $4,500,000.

Gross revenues of Philadelphia Electric Co. continue to reflect steady growth. For the 12 months ended March 31, 1945, the company reported $99,878,625, compared with $94,779,861 for the comparable preceding period. Per share earnings on the 8,160,317 common shares outstanding were $1.55, compared with $1.33.

Sales of Philco Corp. for 1944 totaled $152,933,250, an increase of 31% from the 1943 total of $116,395,598. Working capital rose to $16,195,600 from $14,272,800.

Steel production in the Pittsburgh district started last Monday at 92%, unchanged from the week before. A month ago the rate was 93% and a year ago 96%.

Personnel Notes

Eugene G. Grace, President of Bethlehem Steel Corp., states that he foresees a possible decline in steel production of 25% to 30% from present levels in the period between the lessening of war demands and the resumption of civilian goods output. Post-war demands will come largely from the automobile industry, manufacturers of refrigerators, radios and other household equipment, railroad equipment and construction, both industrial and housing. He also foresees an extensive export demand.

Mr. Grace said that he believes that plants built mainly for war purposes should not be scrapped but should be preserved for future use. He stated that the Army and the Navy should be maintained at high level "so we will not again be caught with our 'plants' down."

J. H. Henshaw, Pittsburgh Plate Glass Co., has been appointed general export manager.

In high attendance at the STANY dinner in New York, April 20, was C. L. Wallingford, E. H. Rollins & Sons, Philadelphia, and party of guests. When the Sherry-Netherland's comptroller totals up his chits at month-end, Sherneth 3-5¾s ought to be good for a couple of points.

"Happy Harry" Fahrig, Reynolds & Co., has received the nod from Uncle Sam and expects to be called this month. Rumor has it that Harry tried to knock himself out at the STANY party in anticipation of his ensuing physical examination but only succeeded in streamlining himself into acceptable condition.

It is reliably reported that A. J. Willis, H. M. Byllesby & Co., has given up fishing for olives until, at least, after the close of the present trout season.

Ingalls & Snyder Admit Two Partners

Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock Exchange, admitted Albrecht Pagenstecher, III and Daniel L. Monroe to partnership in the firm as of May 1st. Mr. Pagenstecher was formerly a partner in Coggeshall & Hicks and prior thereto in Marshall, Campbell & Co.

Private Wire Between Kitchen & Reilly

J. F. Reilly & Co., members New York Security Dealers Association, announce the removal of their offices to 40 Exchange Place.

Also announced is the installation of a new private wire between J. F. Reilly & Co. and Kitchen & Co., 135 South La Salle Street, Chicago, Illinois.

Living Costs Decline in 38 of 63 Cities in March

Living costs of wage earners and lower-salaried clerical workers declined from February to March in 38 out of 63 industrial cities surveyed each month by the National Industrial Conference Board. Increases were shown for 21 cities, while living costs were unchanged in 4 cities.

The Board's report of April 28 said:

> The largest decrease, 0.8%, occurred in Newark. The others ranged from this to an 0.1% decrease in 12 cities. The increases ranged from 0.1% in Des Moines, Fall River, St. Paul and Toledo to 1.8% in Louisville. Dayton, Green Bay (Wisconsin), Parkersburg (West Virginia), and Rockford (Illinois) showed no change.
>
> Over the year, all cities for which data are available show increases, with the exception of Newark, which had no change. Increases ranged from 0.5% in Akron and Roanoke to 4.6% in Huntington (West Virginia).

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Promise of the Future —Can We Muff It?

(Continued from first page)

established in 1913. Interest rates have fallen to an unprecedentedly low level, and there are shrill demands for further reductions. An economic philosophy is abroad which condemns savings and thrift,and so outrages the instincts and the minds of the majority. Government employees, called bureaucrats if you don't like them are putting their fingers into almost all activities. The fear of inflation disturbs the minds of most thinking people, and discussions of it drip from the printing presses like April showers. The future seems to many to present a dour face indeed.

These alarms make a market for the services of economists—or anyone who can use at least some of the jargon of that profession. These alarms are the reason why groups of men like yourselves will give an evening of your time and provide a good dinner to almost anyone who might conceivably carry around a crystal ball. These alarms put economists in somewhat the same enviable position as anyone who wears pants in this manless world. They are the reason why you subject yourselves to a talk by me. I am gratified at the compliment and I assure you that you are going to be disappointed because you will not receive definite, positive, certain answers to all the questions you have about the future.

Baffling and apprehension-raising as the current alarms are, they probably are no less disturbing than were those experienced by us in our younger days, or by people in preceding generations—if that is any consolation to you. For just a few moments, let us consider a little of the history of economic alarms. In Lord Macaulay's "History of England," published nearly a century ago, there is an interesting discussion which is worthy of thought today. I want to read you some passages from it:

"At every stage in the growth of that (public) debt, the nation has set up the same cry of anguish and despair. At every stage in the growth of that debt, it has been seriously asserted by wise men that bankruptcy and ruin were at hand . . . When the great contest with Louis XIV was finally terminated at the Peace of Utrecht (1713), the nation owed about £50 millions: and the debt was considered, not merely by the rude multitude, not merely by fox-hunting squires and coffee-house orators, but by acute and profound thinkers as an encumbrance which would permanently cripple the body politic . . . Then came the War of the Austrian Succession (1740-1748); and the debt rose to £80 millions. Pamphleteers, historians and orators pronounced that now, at all events, our case was desperate . . . Soon war again broke forth (1756); and under the energetic and prodigal administration of the first William Pitt, the debt rapidly swelled to £140 millions. As soon as the first intoxication of victory was over, men of theory and men of business almost unanimously pronounced that the fatal day had now really arrived . . . It was possible to prove by figures that the road to national ruin was through the national debt. It was idle, however, now to talk about the road: we had done with the road: we had reached the goal: all was over: all the revenues of the Island north of Trent and west of Reading were mortgaged. Better for us to have been conquered by Prussia or Austria than to be saddled with the interest of £140 million . . . The attempt to lay a portion of the load on the American colonies produced another war (1775). That war left us with an additional £100 millions of debt, and without the colonies whose help had been represented as indispensable. Again England was given over . . . Soon, however, the wars which sprang from the French Revolution and which far exceeded in cost any that the world had ever seen, tasked the powers of public credit to the utmost. When the world was again at rest, the funded debt of England amounted to £800 millions . . . It was, in truth, a gigantic, a fabulous debt; and we can hardly wonder that the cry of despair should have been louder than ever."

The United States has provided a series of equally anguished alarms. Those of you who read Keneth Roberts' fascinating historical novel, "Oliver Wiswell," may remember counterfeiter Tom Buell's caustic remarks about the currency being issued by the Continental Congress. Being told by Oliver to quit worrying about the money because it would soon be worth no more than the paper it was printed on, Buell replied:

"That's all it's worth now. That's all it'll ever be worth after a few more people find out what it's worth meaning nothing. My 40 dollar bills are just as good as Congress' 40 dollar bills, neither me nor Congress having anything to make 'em good with, so I got just as much right to issue 'em as Congress has. The rebels called themselves a government, didn't they, even though you and I and a million other Americans didn't want 'em to do it, and knew they hadn't any business to? All right: I'm a government too, Oliver! I'm the government of New India, up on Passamaquoddy Bay. This money of mine, it's the legal currency of New India, and I raised it by taxing myself. If I was a private individual, I'd be more careful: but being as I'm government, I'm privileged to make a God-damned fool of myself in any way I choose, especially by spending a lot more money than I've got or ever will have, and promising to do things I ain't got a chance of doing."

When Alexander Hamilton took over the newly established Treasury Department, the confusion of national and state debt and currency looked hopeless to many of his contemporaries. With the War of 1812 and the burning of Washington by the British, our national finances and our national existence were perilous. In the 1830's Andrew Jackson abused and abolished the second Bank of the United States and struck a body blow at the weak currency issued by the state banks, and there followed one of the worst depressions the country had experienced. With the Civil War came a vast rise in the public debt and the issuance of what seemed like a torrent of greenbacks to the despair of many in that day. Later in the century, the demands of the Populists, the Greenbackers and the other soft money groups, culminating in the Bryan free silver campaign, seemed to many surely to bring the country to, if not over, the brink of ruin. And then came the World War in which our public debt increased some 2100%, and to many there seemed little hope.

The history of alarm could be further expanded among the English-speaking people by a summary of the catalogue of Canada, and Australia, and New Zealand. And those alarms mentioned for England and the United States are but the briefest indication of a list that any college student of history could expand so that the merest reading would keep us here all night. Today is, therefore, a repetition, and while its alarms seem to us more serious than those of other days, it is a question whether, if we were living in those times, without the knowledge of what actually followed, we would view today as the most frightening.

Groundless Alarms on Public Debt

The really significant fact that emerges from these historical considerations is that the alarms always proved to be groundless from the standpoint of society as a whole. Clearly certain individuals and businesses, unable to adapt themselves to changing conditions, were hurt — some indeed, were destroyed. But for society, for the majority, these alarms have been but ephemeral clouds which vanished behind us in the ever-continuing upward progress to new heights of economic achievement and economic welfare. The security and the comfort which has been attained for nearly all Americans today, and to which those in the armed forces will return, exceeds anything available to any but the merest handful of persons of earlier days. The fact is, that while prominent, the economic alarms have not been the significant, the meaningful developments of the past. As Samuel Butler wrote in that delightful novel, "The Way of All Flesh," many years ago: "We have so long found life to be an affair of being rather frightened than hurt."

The explanation, I believe, of this difference between the prominence of the alarms and their actual insignificance lies in the inadequate attention given to two fundamentals; first, the moral stamina of the English-speaking peoples, and, second, their tremendous and ever-increasing capacity for production of goods and services. Through alarms and excursions, through thick and thin, through discomfort and relative abundance, the English-speaking peoples have evidenced through the centuries an inherent quality of fairness and justice and tolerance. By instinct and by intellect they have not strayed far or seriously from that course of conduct which includes the honoring of obligations and the social and economic conduct conducive to economic progress. In this continued and pervasive environment, they have exercised a God-given ingenuity and utilized God-given natural resources to produce more and more and more goods and services to satisfy economic desires, and they have produced them cheaper and cheaper and cheaper.

These are the realities — the moral stamina and the technological ingenuity of the English-speaking peoples. They are the basis for the subtitle of this address, drawn also from Lord Macaulay, and I repeat it:

"No man who is correctly informed as to the past will be disposed to take a morose or desponding view of the present."

The question you are doubtless asking is whether, assuming the validity of these historical dialectics, those two conditions still prevail today. I believe that they do. I believe that the moral stamina of the English-speaking peoples is as strong as ever it was, and that the technological ingenuity is, if anything, greater. While some today talk of dubious courses of conduct regarding financial, economic and social obligations, the fact is that overwhelmingly people still meet their obligations and treat each other with at least as much fairness as in the past.

For example, lenders operating in the small loan field, boast that they can lend $100 to every person in a crowded subway car who wishes to borrow it, without any investigation, and receive repayment. The record for honoring obligations on home mortgages is tremendously impressive. The record for the payment of the most onerous taxes we have ever known is, despite some tax evasion by an unscrupulous few, remarkably good for the overwhelming majority of people. Virtually every family in the United States is providing for its future by regular life insurance premium payments and did so even throughout the depression. The operation of the Selective Service, of rationing, and a whole host of other onerous, tedious and uncomfortable procedures demonstrate the high morality of the majority. The fact is the mass of today's regulation and taxation and public and private obligations would fail immediately if it depended for its success upon enforcement.

Evidence of the continuing presence of technological ingenuity and productive capacity is doubtless unnecessary in view of the tremendous production accomplishments attained in this war. Short of critical materials—desperately short in some cases—drained of the most able manpower and womanpower, proceeding under a mass of unfamiliar and often inefficient regulations, working for hours and under a strain by no means conducive to efficiency, the American economic system has, by its technological ingenuity, amazed the world and amazed itself, and overwhelmed the most powerful of enemies by an incredible mass of all the materials of war.

The history, therefore, of the basic significance of moral stamina and productive ability, together with the evidence that these two most powerful forces exist undiminished, and perhaps more than undiminished, permits us, I think, to talk with serious confidence about a future filled with promise. There is a promise, a very real promise, of prosperity, of a high and ever higher standard of living, of security and of welfare for this nation and this world in the years that lie ahead. It is a promise of incredible abundance.

But the title covering this discussion has another part, and that part reads, "Can We Muff It?" The simple, short, direct answer is, of course. Of course we can muff it. Of course we can fail to enjoy the pleasure of this delectable fruit which lies within our reach. Of course we can be foolish enough to make unworkable the finest automobile ever assembled which awaits at the door to carry us into Utopia. There are, as I see it, four great possibilities for us to muff the wonderful promise of the future.

Pied Pipers of Easy Money

The first of the muffing possibilities is that the country will follow the pied pipers of easy money, that an interest rate too low to permit continued economic progress will be established. The size of the public debt creates a strong argument for an aggressive public policy to make interest rates very low in order to minimize the interest charge on the Federal budget. Other borrowers also are demanding low interest rates, not least prominent among them being some groups concerned with housing. And there is an economic philosophy abroad, usually connected with the name of a famous British peer, which dolorously contends that if interest rates are not kept low and moved ever lower, society will surely suffocate in savings.

But if these special pleadings of borrowers and this dangerous philosophy are heeded, and interest rates are depressed to too low a level, the very heart of economic progress may be stopped from functioning. That heart is

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the formation of capital, and capital is, on the one hand, the instrument through which ingenious technology moves to increase production, and, on the other, the element which gives us more and better comforts of housing and other durable consumption goods. Furthermore, too low interest rates threaten the functioning of the great institutions which have serviced the growth and development of this country: the banking system, life insurance, the capital markets, the great endowment organizations for education, research and health. Interest rates can be depressed to a level where they do not provide the incentive for adequate savings and for the necessary amounts to cover expenses of operation of savings and financial institutions and to cover losses which are an inevitable accompaniment of the administration of funds.

Let me apply this to your own field. The funds which provide mortgage loans must be obtained by paying some return to savers, and, in addition, the rate of interest must cover the costs of operation and losses. The necessary payments to savers and amounts to cover expenses vary with differing institutions. Amounts necessary to cover losses have not been very extensively determined because the real estate business seems to have believed itself under the injunction given Lot's wife, never to look back to see results. But you all know that there have been losses and sizeable ones. And when you contemplate the depreciation which resulted from rapid city decentralization in the past two decades and the depreciation due to improved technology and changing styles of buildings—and when you project these forces of depreciation with the possibility that decentralization, which was rapid in the last two decades, will be explosive in the next two decades and that technology and style changes, which have moved at a walk, may proceed at a gallop in the years to come — you surely cannot feel that a mere negligible allowance for loss is needed in the interest rate.

Dangers of Over Pricing

The second muffing possibility is that producers will try to overprice their products. Tendancies are observable for produceds to try to fix prices which they consider fair and just. But prices which producers consider fair and just may be prices that consumers either cannot or will not pay. If our laundry cost is fixed at a point my wife feels to be too high, she will do it herself, and we will buy no laundry service. If costs of doing business are fixed at too high a level, business just won't be done. If building costs become disproportionate, the amount of building will simply shrink. The object of producers should be as it has been in the past, to find a cheaper way of providing a better product, instead of trying to impose upon little Nell Consumer a price that they want for doing things the easy way. I would urge that you put in your hat the message sent by British Prime Minister Canning to his representative at the Hague in 1830, when negotiations were in progress between England and Holland on a trade treaty. His message was a simple one:

"In matters of commerce, the fault of the Dutch
Is in offering too little, and asking too much."

I leave it to you whether the building business is a Dutchman, but I would remind you that there are not a few people who vigorously charge that it is.

The third great muffing possibility is that this country will continue its misguided pursuit of of nationalism. Excessive nationalism over the years has focused every economic and political interest in the national government of the nation state. It has made the state the aggrandizing representative in world affairs of the local producer and the local self-interest groups. It has tended to subordinate the market place which equilibrated supply and demand through peaceful haggling, and has set, instead, a state which dumps surplus products to the detriment of others, which imposes inordinate tariff walls against foreign producers, which fathers cartels which fix prices and regulate production in the interest of the producer insted of the consumer — and which backs all these arbitrary procedures by armed force. The system of division of labor, by which everyone specializes and produces much, instead of everyone being a jack-of-all-trades and producing little, is lost in the process. Carried only a little farther than some economic nationalists urge, it would lead to the growing of pineapples along the Penobscot and the Pawtuxet, the production of coffee beans along the Columbia and the Connecticut, and the cultivation of cocoanuts along the Kennebec and dates along the Delaware — all of which would be perfectly possible, but fantastically wasteful. War and destruction are the demonstrably inevitable results of this over-emphasis upon nationalism, and peace and economic progress are lost.

The establishment of an international order, utilizing the division of labor and the international market place, together with the necessary de-emphasis of the nation state, will necessitate flexibility and change. If someone abroad can produce a better product, cheaper, the less efficient producer here should be compelled to find sime other work which he can do better than what he is doing. This may entail some business failures and some loss of jobs — yes, and some depreciation of real estate in the affected places — but the alternative is failure of economic progress instead of failure of an individual business unit; it is agonizing death on a battle field, instead of losses of an occasional job and the need to move to another; it is destruction of vast areas by rockets and robot bombs the next time instead of an occasional depreciation of a piece of real estate.

The fourth great possibility for muffing the promise of the future is excessive governmental intervention into economic and social processes. Such excessive intervention may occur because interest rates are set too low and the government has to try to make up for the deficiencies in capital formation and institutional function. It may occur because production and employment are impaired by "asking too much," and the government attempts to make up the deficit of production and employment. It may be entailed by an over-emphasis on nationalism with the resulting necessity for this nation to live as an armed camp. Or it may occur because we try to turn over responsibilities and obligations to the government instead of being sufficiently enterprising to find new ways to do new things and to solve new problems in a changing world. But excessive government intervention, however brought about, will in time impair technology and stop progress; it can put us all in subsidized housing instead of the promised miracle housing of the future. Instead of elaborating this point, I urge you to read Hayek's "Road to Serfdom," recently published by the University of Chicago. Or if you just can't find the time to read even this little book on so important a subject, buy the latest "Reader's Digest" which will give it to you in capsule form —and even that is sufficient to curl your hair.

In another recently published book which I have viewed with particular interest, the authors found occasion at one point to try to refute critics in advance, and for just a moment I want to follow the example of the authors of that estimable book. In the comments on the four great possibilities of muffing, there is intended no advocacy of usuriously high interest rates, nor of any interest rates higher than necessary to give this country an adequate volume of capital formation, and thus assure the continued beneficent existence of its necessary institutions. In discussion of overpricing, there is intended no advocacy of starvation for producers. The plea against excessive nationalism is no urgence of anarchy. And the diatribe, if you choose to call it so, against excessive government intervention is no advocacy of a do-nothing government or any abortive "return to normalcy"; the role of government will necessarily be a large one in the future. The dangers of public deficits and public debt are not intended to be dismissed, for they are very real, and they certainly must be overcome. Finally, a future filled with promise cannot be expected to be a future wholly free of problems—including business fluctuations.

The list of possibilities for muffing the promise of the future presents impressive problems, and they could be elaborated beyond this brief discussion. These problems are imponderable and my crystal ball is incapable of giving you precise answers to them or demonstrable assurance that they will be surmounted. Everyone of us must interpret them and judge for himself their probable outcome.

But for myself, I weigh the two great historic forces of moral stamina and expanding productive capacity somewhat more heavily than the more prominent economic alarms, and I weigh the promise of the future somewhat more heavily than the problems of the future. And so, despite periods of apprehension and occasional doubt, I take my stand at that spot described by Disraeli, the great British Prime Minister, as being "on the side of the angels."

IBA Proposes "Community Investment Companies" to Finance Small Business

(Continued from page 1941)

by them for stock of the Federal Deposit Insurance Corporation and these funds could be made available by Congress without a specific appropriation. It also suggested that the debentures run for 25 years and bear an interest rate fixed "at a moderate differential above the Federal Reserve rediscount rate."

Two classes of stock were proposed for the investment companies. Class A shares would be sold to raise capital Class B shares, junior in liquidation, would be issued to business concerns which obtained funds from the investment company.

The enterprise getting financing could be required to put as much as 10% of the proceeds into class B stock, the amount up to this maximum depending upon the degree of risk in the loan or investment. This contribution of benefitted business to the capital of the investment company would be in the nature of insurance to cover losses, the banker said.

Ample incentives for prompt and effective action in communities all over the country are thus provided in the banker's opinion. "On the one hand, the local investment companies would have the right to borrow on attractive terms from their Federal Reserve Bank and would have considerable protection against losses by the cushion created through the issuance of class B shares," Mr. Fennelly told the Congressional committee.

"These two features should make the establishment of such investment companies a reasonably sound business proposition, although we believe that civic pride will furnish a greater driving force than the profit possibilities."

On the theory that small businesses usually need expert management advice and technical assistance as much as capital, the investment companies should be authorized to provide advice and aid for fees, the banker said.

An analysis of all factors in small business financial problems led the I. B. A. committee to make this proposal, Mr. Fennelly said.

Conclusions reached by the analysis were:

(a) The investment banking mechanism is not equipped to take care of the capital needs of small business and cannot be expected to do so.

(b) The sources both internal and external, which formerly supplied the great bulk of small business capital have largely dried up under the withering effect of Federal taxation and the influence of social change.

(c) This serious situation is presently obscured by the blanket of a wartime economy. It will come to light, and may confront us with a crisis, when small business is faced with the problems of the changeover to a normal peacetime economy.

(d) Private enterprise must find a constructive and realistic solution of this problem, or else accept the inevitable result that government credit will be used to fill the existing void.

Major drawback to government loans or guarantees for small business is that a governmental body is under compulsion to treat all citizens alike, the banker said, adding, "moreover, a political lending body makes a record chiefly by its activity in extending credit rather than by its judicial restraint," his report said.

Exceptional circumstances were said to exist in the case of farm and home mortgage financing, the Reconstruction Finance Corporation and the wartime loan guarantees of the Federal Government.

Credit insurance schemes were said to have the drawback of increasing costs on good risks to compensate for losses on others. Tax revisions can help the problem of getting venture capital for new and small businesses but it cannot be expected, the banker said, to come fast enough or give enough relief to permit new enterprises to grow from retained earnings.

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Since 1929 peak funded debt of Pere Marquette was $77.27 million, reached in 1931. Subsequent to the recent refinancing, debt has been reduced to $57.47 million, a net reduction of 25.62% from the peak.

Fixed charges, however, have shown a substantially greater reduction. Peak fixed charges occurred in the year 1932 when they stood at $3.77 million and after the recent sale of $50 million First 3⅜s, making allowance for interest charges on $7.47 million of equipment obligations, they are at the annual rate of $1,837,000. This represents a decline of 51.35% in charges.

Parenthetically we might point out that railroad analysts should bear in mind that even more important than the reduction in funded debt already effected by Class I railroads from roughly $11.88 billion to $7.56 billion estimated post-war (including $1.3 billion contingent interest debt) is the reduction in interest charges. True, as yet interest charges have not been reduced as much as now seems probable in the light of anticipated refundings of sizable amounts of both senior and junior bonds of some of the more important systems which have as yet not refunded. Specifically, over the next year or more systems like the New York Central, Illinois Central, Northern Pacific, Southern Pacific, to name but a few, are likely to effect substantial further interest savings. Pere Marquette is typical of this trend.

Now that Pere Marquette has been able to effect a refunding operation and has been able to restore its credit, there is little attractiveness in the senior issue for the average investor. The present bond is essentially an institutional issue, for it is well supported by satisfactory net ton miles per dollar of debt, and the road's prospects both currently and post-war will probably result in even greater institutional interest than appears evident at the present time.

Speculative interest is centered on the two preferred stocks junior to the $50 million First Mortgage 3⅜s and the $7.4 million Equipment Trust obligations previously referred to.

There are 111,999 shares of 5% Prior Preference stock selling currently at 114, a far cry from the low price established in 1940 of 17¼. As of Feb. 1, 1945, there were arrearages of $36.25 a share on this stock so that the net price is reduced to $78 per share. Call price is 100. In terms of cash accumulations the $36.25 per share is equivalent to $4,059,972.

Financial position of Pere Marquette is quite adequate, net working capital on Dec. 31, 1944, amounting to $9,690,000 to which should be added probable cash inflow resulting from a credit of a minimum of 50% of the total amount of emergency facilities unamortized at the end of 1944 and authorized by the WPB under Certificates of Necessity. This comfortable financial position presages that steps will be taken to pay off these arrearages in cash over the next year or more, especially as the credit of the road has now been reestablished.

Junior to the Prior Preference stock are 124,288 shares of 5% Cumulative Preferred stock with arrears as of Feb. 1, 1945 of $67.50 per share. Current price of this stock is 98 or, deducting the accumulated dividends, $31, or six points lower than the price at which the common sells currently. This stock is also callable at $100 per share. Total cash arrearages on this stock are $8,389,740. It may be of interest to readers to note that accumulations on both stocks now total $12.4 million, slightly less than the amount of debt which Pere Marquette retired in the years 1942-44, inclusive, which suggests that arrearages are far less formidable an obstacle than might appear at first glance. These arrears can and probably will be liquidated over the next ensuing years either through cash payments or through the issuance of alternate securities.

Both preferreds are attractive in their own right. The senior preferred earned $31.41 per share last year and has recently inaugurated dividends at the rate of $5 per share. The junior stock, without making any allowance for arrearages, earned $27.42 per share. On the basis of our projected post-war earnings (this carrier being in line to benefit by the expected post-war activity in the automotive industry), making allowance for the reduction in fixed charges already effected, the first preferred dividend should be earned over six times and junior preferred slightly less than five times and on an overall basis slightly over three times.

The common stock, of which there are 450,448 shares outstanding, represents a leverage situation. As compared with the preferred stock it seems adequately priced. In fact the junior preferred, minus arrears, is selling, as previously indicated, at $6 per share less than the common. The common, however, has some measure of attractiveness in connection with eventual merger with Chesapeake & Ohio.

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Geo. Gillies Elected V.-P. of Mellon Sec.

The election of George J. Gillies as Vice-President in charge of the Municipal Department of Mellon Securities Corporation was announced. After May 15, he will be at the New York office of Mellen Securities Corporation, 2 Wall Street.

Mr. Gillies has been associated with Blair & Co., Inc. and predecessor companies since 1927. He has been Vice-President in charge of municipal bonds of that company since 1930. He began his career in Wall Street in 1919 with the firm of Kissel, Kinnicutt & Co.

New York Stock Exchange Weekly Firm Changes

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

Herman B. Baruch, general partner in H. Hentz & Co., New York City, became a limited partner as of May 1.

Reginald A. Saunders withdrew from partnership in J. W. Davis & Co., New York City, on April 30.

Frederick M. Heimerdinger and James L. Weiskopf retired from partnership in Emanuel & Co., New York City, on April 30.

Frank J. Warne retired from Hewitt, Lauderdale & Co., New York City, on April 30.

George B. Brookes, Jr., and Exchange member and a limited partner in Wainwright, Luce & Willetts withdrew from the firm on April 30.

Edward P. Field withdrew from partnership in J. R. Williston & Co., New York City, on April 30.

As of May 2, 1942 J. C. Louis & Co. became inactive during the period that all active general partners were engaged in War Service. As of May 1, 1945 the firm resumed the status of an active member firm.

Interest of the late Arthur G. Cable in Shearson, Hammill & Co., ceased on April 12.

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Independent Bankers Association Favors Bretton Woods

(Continued from page 1939)

should be separated; while they supplement each other, their tasks are different. The Bank is much of the pattern of a loaning institution — nothing new or revolutionary about it. The Fund is for the stabilization of international exchange and the ideas proposed are new — frankly, untried but the emergency is such that we are justified in pioneering. The Bank, as well as business in general, will find it difficult to operate unless the monies of the world have a known and stable value.

"The situation that now confronts the world with our unstable international exchange is somewhat like the situation that this country faced in the days of wild-cat banking, in the days when each state bank issued its own currency and this currency had a depreciated value when it was used any distance from home or where the standing of the bank of issue was unknown. This unstable currency made it difficult to do business. The difficulties were further accentuated by the fact that scarcely two states in the union had systems that were alike. Some states chartered their banks with proper restrictions; others did not. In 1863 the Congress realizing that the situation must be remedied brought forth the National Bank Act and while this Act also provided for the sale of federal securities, the primary motive according to the statements of President Lincoln at that time was largely to provide the nation with a currency that would be accepted at face value anywhere within the country. This analogy, while far from perfect, illustrates a bit, I believe, the point we are trying to make. In 1863 we remedied a bad domestic situation. — In 1945 if we follow the Bretton Woods Plan we can, we believe, remedy an international situation."

"In the post-war period, due to our increased productivity both of factory goods and farm produce, we must have a good foreign market or we will be faced with an embarrassing surplus and a surplus means fewer employees, the beginning of deflation and serious trouble at home and at a time when jobs must be expanded to take care of our returning servicemen.

Presumably, this agreement is not 100 per cent perfect and it is doubtful if an agreement with numerous other nations can be drawn that would be free from criticism. Dr. Burgess, for whom I have great respect, is reported as saying that seven-eighths of the Agreement is satisfactory. This statement is almost tantamount to a blanket endorsement, and it is hardly worthwhile to raise confusion over the one-eighth controversial part. It appears to us that the Fund Agreement is elastic enough to permit changes as operational experiences suggest as necessary."

Referring to the opposition to the International Fund by the American Bankers Association, Mr. DuBois remarked that "we are sorry that the American Bankers Association doesn't see this issue as we do. We feel that they are morally wrong and we hate to see that great organization make another mistake as it did when it officially opposed the Federal Reserve System, The Federal Deposit Insurance Corporation, The Securities Exchange Commisison and many other forward movements which they condemned because they were new and untried and which now they wholeheartedly approve and support. We are hoping that the Congress will not give too much consideration to the transitory criticisms of the American Bankers Association.

"Wars originate in bad economic atmosphere. Armed clashes follow economic wars. The people of this country know that self-preservation is dependent upon a stable and peaceful world; and that another war would destroy civilization.

If we are to have a stable and peaceful world, we must do away with the causes of war. One cause is bad economic conditions, confusion in international exchange and barriers to trade between nations.

The Bretton Woods Agreements represent the machinery that will, we believe, help stabilize monetary relationship between the nations of the world.

"Harold Stassen, former Governor of my State who has spent some time in the Navy on the Pacific, recently delivered an outstanding address at our State University. This young man has a far-seeing eye. He realizes that we must lift our sights in the crucial times ahead. Speaking of the San Francisco Conference, to which he is a delegate, he made this statement: We quote, "This means, of course, that the result will not be, and cannot be, entirely in accord with any nation's or any person's individual views. But, I cannot say too emphatically, that the alternative to finding the broad areas of agreement is to do nothing at all. And nothing at all would start us on our way along the short road of inaction, to worldwide depressions and to the next and most tragic world war, That is not an acceptable alternative." These remarks could easily have been directed toward the Bretton Woods Agreements.

"After our experiences of the last war and this war, we all realize the need of setting up a system of international collaboration. We are sure that the majority of the bankers have enough pioneering instinct to be in favor of a new scheme of action. To criticize a plan of lending because it is *novel* and contrary to accepted credit principles indicates perhaps that we are static, opposed to progress. I can remember when we bankers did not care to make installment loans on automobiles. Our views have changed.

"The end of this war wlil find economic conditions chaotic and if the different countries must go through the wringer to stabilize their economy, woe to the World. We must have a device that will step in quickly and in a large measure build order out of chaos. And, in the hopes of building a more stable economy, we can afford to take risks.

"We believe that the people of this country want the passage of this enabling act to make this Bretton Woods Plan a workable agreement. We are war weary; we are united in our decision to make this the last war, and we know that if that is to be done, the whole machinery of international relationship must be revamped. We must be as courageous in building a peaceful World as we have been courageous in fighting this terrible war.

"We respectfully urge a favorable report by this Committee of Enabling Act H. R. 2211, without crippling amendments. We feel that if the Bretton Woods Plan is tampered with, the whole scheme will be delayed and perhaps ultimately defeated. The alternative of 'no plan' would be chaos, indeed."

SEC Hearing Postponed

A hearing, scheduled for May 2nd, to determine whether the broker-dealer registration of Ira Haupt & Co. should be revoked or suspended, and the firm expelled from the National Association of Securities Dealers, Inc., was postponed by the Securities and Exchange Commission at the request of counsel for the firm and the agency.

This is the fifth adjournment of the case, originally scheduled for December 20th, which concerns distribution of Park & Tilford stock by David A. Schulte and associates.

NOTICE OF REDEMPTION

To the Holders and Registered Owners of

READING COMPANY

General and Refunding Mortgage Four and One-Half Per Cent. Gold Bonds, Series A, due January 1, 1997

General and Refunding Mortgage Four and One-Half Per Cent. Gold Bonds, Series B, due January 1, 1997

NOTICE IS HEREBY GIVEN, pursuant to the provisions of Article Four of the Mortgage and Deed of Trust dated January 2, 1924, of Reading Company to Central Union Trust Company of New York (now Central Hanover Bank and Trust Company), Trustee, and the provisions of the above mentioned Bonds secured by said Mortgage and Deed of Trust, that Reading Company has elected to redeem, and will pay and redeem on July 1, 1945, all of its General and Refunding Mortgage Four and One-Half Per Cent. Gold Bonds of Series A and Series B, and on said date there will become and be due and payable upon each of said Bonds so to be redeemed, at the office of Central Hanover Bank and Trust Company, 70 Broadway, New York 15, N. Y., one hundred five per cent. (105%) of the principal amount thereof, together with accrued interest to July 1, 1945, and said Bonds are required to be then presented at said office for payment and redemption.

Coupon Bonds must be accompanied by all coupons thereto appertaining, maturing on and after July 1, 1945. Bonds in fully registered form, or in coupon form registered as to principal, must be accompanied by properly executed instruments of assignment and transfer in blank. Proper ownership certificates covering July 1, 1945, interest coupons should accompany the Bonds when presented for payment.

Interest on all Bonds hereby called for redemption will cease to accrue from and after July 1, 1945, and any interest coupons maturing after said redemption date which appertain to said Bonds in coupon form shall be void.

READING COMPANY

By R. W. BROWN, *President.*

May 2, 1945.

PREPAYMENT PRIVILEGE

Holders and registered owners of the above mentioned Reading Company General and Refunding Mortgage Four and One-Half Per Cent. Gold Bonds of Series A and Series B, called for redemption on July 1, 1945, may at any time on and after May 2, 1945, obtain payment of the redemption price of said Bonds, together with interest accrued to July 1, 1945, upon surrender of their Bonds in the above manner.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Offering Circular.

$58,000,000

The New York, Chicago and St. Louis Railroad Company

Refunding Mortgage 3¼% Bonds, Series E

To be dated June 1, 1945 — To be due June 1, 1980

The issuance and sale of these Bonds are subject to authorization by the Interstate Commerce Commission

Price 101% and accrued interest

The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

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PUTNAM & CO. — WHITING, WEEKS & STUBBS — PAUL H. DAVIS & CO. — R. L. DAY & CO.

GRAHAM, PARSONS & CO. — GRANBERY, MARACHE & LORD

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SWISS AMERICAN CORPORATION

April 27, 1945.

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ADVERTISEMENT ADVERTISEMENT ADVERTISEMENT

UNION PACIFIC RAILROAD COMPANY

FORTY-EIGHTH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1944

To the Stockholders of Union Pacific Railroad Company:

The Board of Directors submits the following report for the year ended December 31, 1944, for the Union Pacific Railroad Company, including Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company, whose properties are leased to the Union Pacific Railroad Company. The lessor companies have certain income and charges, and the figures in the Income Account, other than those relating to transportation operations, and in the Surplus Account and General Balance Sheet and tabulations and tables relating thereto are stated on a consolidated basis, *excluding offsetting accounts between the companies.*

INCOME

The operated mileage at close of year and income for the year 1944, compared with 1943, were as follows:

Operated Mileage at Close of Year		1944	1943	Increase	Decrease
Miles of road		9,780.50	9,781.57	--------	1.07
Miles of additional main track		1,541.38	1,540.07	1.31	
Miles of yard tracks and sidings		4,394.06	4,360.73	33.33	
Total Mileage Operated		15,715.94	15,682.37	33.57	
Transportation Operations					
Operating revenues		$506,590,966.01	$480,274,934.19	$26,316,031.82	
Operating expenses		314,959,801.98	300,074,772.40	14,885,029.58	
Revenues over expenses		$191,631,164.03	$180,200,161.79	$11,431,002.24	
Taxes		141,806,202.65	126,063,144.79	15,743,057.86	
Railway Operating Income		$49,824,961.38	$54,137.017.00	--------	$4,312,055.62
Rents from use of joint tracks, yards, and terminal facilities		1,867,788.11	1,806,832.53	$60,955.58	
		$51,692,749.49	$55,943,849.53	--------	$4,251,100.04
Hire of equipment—debit balance		$11,599,125.91	$11,769,780.36	--------	$170,654.45
Rents for use of joint tracks, yards, and terminal facilities		3,567,608.17	2,968,214.03	$599,394.14	
		$15,166,734.08	$14,737,994.39	$428,739.69	
Net Income from Transportation Operations		**$36,526,015.41**	**$41,205,855.14**	--------	**$4,679,839.73**
Income from Investments and Sources other than Transportation Operations					
Income from oil operations in Southern California—net		$7,681,904.09	$8,836,651.48	--------	$1,154,747.39
Dividends on stocks owned		5,264,019.50	4,646,877.50	$617,142.00	
Interest on bonds, notes, and equipment trust certificates owned		2,149,737.90	1,968,880.78	180,857.12	
Income from unfunded securities and accounts		1,805,198.14	1,036,950.32	(a)768,247.82	
Rents from lease of road and equipment		172,242.87	188,050.06	--------	15,807.19
Miscellaneous rents		432,680.43	404,982.51	27,697.92	
Miscellaneous income		2,895,634.95	1,793,638.08	1,101,996.87	
Total		$20,401,417.88	$18.876,030.73	$1,525,387.15	
Total Income		$56,927,433.29	$60,081,885.87	--------	$3,154,452.58
Fixed and Other Charges					
Interest on funded debt		$14,110,071.76	$13,570,444.39	$539,627.37	
Interest on unfunded debt		1,029,609.23	567,147.93	462,461.30	
Miscellaneous rents		50,872.48	48,975.15	1,897.33	
Miscellaneous charges		665,985.04	602,059.43	63,925.61	
Total		$15,856,538.51	$14,788,626.90	$1,067,911.61	
Net Income from All Sources		**$41,070,894.78**	**$45,293,258.97**	--------	**$4,222,364.19**
Released from "Reserve against possible refunds on U. S. Government shipments"		859,019.55	--------	$859,019.55	
Total for Disposition		**$41,929,914.33**	**$45,293,258.97**	--------	**$3,363,344.64**
DISPOSITION					
Appropriated to "Reserve against possible refunds on U. S. Government shipments"		--------	$10,000,000.00	--------	$10,000,000.00
Dividends on Stock of Union Pacific Railroad Co.:					
Preferred stock:					
2 per cent paid April 1, 1944	$1,990,862.00				
2 per cent paid October 2, 1944	1,990,862.00	$3,981,724.00	$3,981,724.00		
Common stock:					
1½ per cent paid April 1, 1944	$3,334,365.00				
1½ per cent paid July 1, 1944	3,334,365.00				
1½ per cent paid October 2, 1944	3,334,365.00				
1½ per cent payable January 2, 1945	3,334,365.00	13,337,460.00	13,337,460.00		
Total Dividends		$17,319,184.00	$17,319,184.00		
Transferred to Earned Surplus — Unappropriated		**$24,610,730.33**	**$17,974,074.97**	**$6,636,655.36**	

(a) Principally interest on short-term U. S. Government obligations.

Operating results for year 1944 compared with year 1943:

	1944	1943	Increase	Decrease	Per Cent
Average miles of road operated	9,781.57	9,817.07	--------	35.50	.4
OPERATING REVENUES					
Freight	$377,242,607.50	$357,590,629.30	$19,651,978.20	--------	5.5
Passenger	91,571,983.54	86,742,472.28	4,829,511.26	--------	5.6
Mail	8,617,087.89	7,591,031.31	1,026,056.58	--------	13.5
Express	7,572,964.98	6,948,722.07	624,242.91	--------	9.0
Other passenger-train	10,088,014.08	10,856,957.62	--------	$768,943.54	7.1
Switching	2,847,164.45	2,804,776.72	42,387.73	--------	1.5
Other	8,651,143.57	7,740,344.89	910,798.68	--------	11.8
Total operating revenues	$506,590,966.01	$480,274,934.19	$26,316,031.82	--------	5.5
OPERATING EXPENSES					
*Maintenance of way and structures	$63,195,849.39	$66,153,250.85	--------	$2,957,401.46	4.5
*Maintenance of equipment	85,426,029.59	82,040,968.89	$3,385,060.70	--------	4.1
Total maintenance	$148,621,878.98	$148,194,219.74	$427,659.24	--------	.3
Traffic	7,010,819.92	5,737,895.88	1,272,924.04	--------	22.2
Transportation—rail line	137,571,730.46	125,863,402.08	11,708,328.38	--------	9.3
Miscellaneous operations	13,392,357.28	12,296,457.31	1,095,899.97	--------	8.9
General	8,363,015.34	7,982,797.39	380,217.95	--------	4.8
Total operating expenses	$314,959,801.98	$300.074.772.40	$14,885,029.58	--------	5.0
Revenues over expenses	$191,631,164.03	$180,200,161.79	$11,431,002.24	--------	6.3

TAXES	1944	1943	Increase	Decrease	Per Cent
State and county	$10,332,893.57	$10,006,674.26	$326,219.31	--------	3.3
Federal income and excess-profits	$118,000,000.00	$103,000,000.00	$15,000,000.00	--------	14.6
Federal capital stock	2,445,951.25	2,095,026.49	350,924.76	--------	16.8
Federal unemployment insurance	5,186,303.14	5,216,242.79	--------	$29,939.65	.6
Federal retirement	5,621,139.80	5,653,102.61	--------	31,962.81	.6
Other Federal	219,914.89	92,098.64	127,816.25	--------	138.8
Total Federal	$131,473,309.08	$116,056,470.53	$15,416,838.55	--------	13.3
Total taxes	$141,806,202.65	$126,063,144.79	$15,743,057.86	--------	12.5
Railway operating income	$49,824,961.38	$54,137,017.00	--------	$4,312,055.62	8.0
Equipment rents (debit)	11,599,125.91	11,769,780.36	--------	170,654.45	1.4
Joint facility rents (debit)	1,699,820.06	1,161,381.50	$538,438.56	--------	46.4
Net railway operating income	$36,526,015.41	$41,205,855.14	--------	$4,679,839.73	11.4
Per cent—Operating expenses of operating revenues	62.17	62.48	--------	.31	.5
FREIGHT TRAFFIC *(Commercial Freight only)*					
Tons of revenue freight carried	57,116,601	53,707,020	3,409,581	--------	6.3
Ton-miles, revenue freight	37,125,602,435	35,114,333,801	2,011,268,634	--------	5.7
Average distance hauled per ton (*miles*)	650.00	653.81	--------	3.81	.6
Average revenue per ton-mile (*cents*)	1.016	1.018	--------	.002	.2
Average revenue per freight-train mile	$10.27	$9.84	$.43	--------	4.4
PASSENGER TRAFFIC *(Excludes Motor-Car Trains)*					
Revenue passengers carried	7,156,785	6,837,683	319,102	--------	4.7
Revenue passenger carried one mile	5,467,595,842	5,055,572,955	412,022,887	--------	8.1
Average distance hauled per passenger (*miles*)	763.97	739.37	24.60	--------	3.3
Average passengers per passenger-train mile	290.65	268.07	22.58	--------	8.4
Average revenue per passenger-mile (*cents*)	1.670	1.711	--------	.041	2.4
Average revenue per passenger-train mile, passengers only	$4.85	$4.59	$.26	--------	5.7
Average total revenue per passenger-train mile	$5.74	$5.47	$.27	--------	4.9

*Includes depreciation, amortization and retirement charges:				
Maintenance of way and structures	$5,004,780.57	$5,726,974.51	--------	$722,193.94
Maintenance of equipment	14,965,085.50	13,869,226.25	$1,095,859.25	

GENERAL BALANCE SHEET—ASSETS

	December 31, 1944	December 31, 1943	Increase	Decrease
Investments:				
Road and Equipment	$1,054,782,257.71	$1,038,062,158.19	$16,720,099.52	
Less:				
Receipts from improvement and equipment fund	$23,823,091.13	$23,823,091.13		
Appropriations from income and surplus prior to July 1, 1907, credited to this account	13,310,236.52	13,310,236.52		
Total	$37,133,327.65	$37,133,327.65		
Road and equipment property	**$1,017,648,930.06**	**$1,000,928,830.54**	**$16,720,099.52**	
Donations and grants (Credit)	*$11,631,237.76*	*$11,601,881.04*	*$29,356.72*	
Sinking funds	$50.00	$50.00		
Deposits with trustees in lieu of mortgaged property	$2,083,908.41	$87,099.34	$1,996,809.07	
Miscellaneous physical property	$23,677,245.67	$23,415,009.00	$262,236.67	
Investments in affiliated companies:				
Stocks	$18,679,185.24	$18,679,175.24	$10.00	
Bonds and notes	4,268,113.87	4,244,230.08	23,883.79	
Advances	10,715,399.34	11,822,158.87	--------	$1,106,759.53
Total	$33,662,698.45	$34,745,564.19	--------	$1,082,865.74
Investments in other companies:				
Stocks	$64,405,621.39	$62,835,342.31	$1,570,279.08	
Bonds and notes	26,512,159.28	35,296,364.23	--------	$8,784,204.95
Total	$90,917,780.67	$98,131,706.54	--------	$7,213,925.87
Reserve for adjustment of investments in securities (Credit)	*$34,409,009.57*	*$34,460,580.68*	--------	(a)*$51,571.11*
Total Investments	**$1,121,950,365.93**	**$1,111,245,797.89**	**$10,704,568.04**	
Current Assets:				
Cash	$39,902,444.67	$49,668,817.16	--------	$9,766,372.49
*Temporary cash investments (U. S. Government securities)	200,000,000.00	150,000,000.00	$50,000,000.00	
Special deposits	4,665,663.92	1,190,326.88	3,475,337.04	
Loans and bills receivable	290.88	691.67	--------	400.79
Traffic and car-service balances—net	7,963,655.93	6,231,459.20	1,732,196.73	
Net balance receivable from agents and conductors	6,925,360.64	9,152,643.18	--------	2,227,282.54
Miscellaneous accounts receivable	29,218,263.87	38,307,142.90	--------	9,088,879.03
Material and supplies	36,798,727.30	37,271,076.62	--------	472,349.32
Interest and dividends receivable	1,973,037.27	1,385,807.87	587,229.40	
Rents receivable	73,894.98	74,247.44	--------	352.46
Other current assets:				
Balitmore and Ohio Railroad Co. capital stock applicable to payment of extra dividend of 1914	110,315.10	111,359.10	--------	1,044.00
Miscellaneous items	4,381.49	26,110.03	--------	21,728.54
Total Current Assets	$327,636,036.05	$293,419,682.05	$34,216,354.00	
Deferred Assets:				
Working fund advances	$105,961.02	$88,991.99	$16,969.03	
Estimated post-war refund of Federal excess-profits taxes	18,860,931.61	7,969,203.00	10,891,728.61	
Other deferred assets	31,972,659.20	37,706,538.94	--------	$5,733,879.74
Total Deferred Assets	$50.939,551.83	$45,764,733.93	$5,174,817.90	
Unadjusted Debits:				
Rents and insurance premiums paid in advance	$56,559.14	$14,689.20	$41,869.94	
Discount on funded debt	--------	541,440.32	--------	$541,440.32
Other unadjusted debits	6,572,379.38	4,973,782.49	1,598,596.89	
Total Unadjusted Debits	$6,628,938.52	$5,529,912.01	$1,099,026.51	
Grand Total	**$1,507,154,892.33**	**$1,455,960,125.88**	**$51,194,766.45**	

(a) Principally loss from sale of Baltimore & Ohio R. R. Co. common stock, charged to this account.

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GENERAL BALANCE SHEET—LIABILITIES

	December 31, 1944	December 31, 1943	Increase	Decrease
Capital Stock:				
Common stock	$222,302,500.00	$222,302,500.00		
Preferred stock	99,591,580.79	99,591,580.79		
Total Capital Stock	$321,894,080.79	$321,894,080.79		
Funded Debt	373,252,258.50	368,713,027.66	$4,539,230.84	
Total	$695,146,339.29	$690,607.108.45	$4,539,230.84	
Due to Affiliated Companies	$7,497,393.92	$7,256,427.72	$240,966.20	
Current Liabilities:				
Audited accounts and wages payable	$23,710,528.47	$21,172,642.15	$2,537,886.32	
Miscellaneous accounts payable	1,599,992.77	1,357,291.37	242,701.40	
Interest matured unpaid:				
Coupons matured, but not presented	1,588,996.76	1,198,563.76	390,433.00	
Coupons and interest on registered bonds, due first proximo	2,946,300.00	4,056,795.70	--------	$1,110,495.70
Dividends matured unpaid:				
Dividends due but uncalled for	299,211.30	256,918.58	42,292.72	
Extra dividend on common stock declared Jan. 8, 1914, payable to stockholders of record March 2, 1914, unpaid	119,058.41	120,187.05	--------	1,128.64
Dividend on common stock payable second proximo	3,334,365.00	3,334,365.00		
Unmatured interest accrued	1,143,140.42	678,689.99	464,450.43	
Unmatured rents accrued	240,605.95	223,594.18	17,011.77	
Accrued tax liability	141,920,620.43	126,622,054.84	15,298,565.59	
Other current liabilities	4,115,391.14	11,721,771.57	--------	7,606,380.43
Total Current Liabilities	$181,018,210.65	$170,742,874.19	$10,275,336.46	
Deferred Liabilities:				
Other deferred liabilities	$9,784,250.55	$10,617,435.15	--------	$833,184.60
Unadjusted Credits:				
Premium on funded debt	$1,162,244.58	$68,358.34	$1,093,886.24	
Reserve for fire insurance	12,904,361.41	12,038,375.50	865,985.91	
Reserve for depreciation	167,378,228.15	154,248,449.16	13,129,778.99	
Reserve for amortization of national defense projects	16,991,262.75	10,064,407.87	6,926,854.88	
Other unadjusted credits:				
Contingent interest	535,866.36	1,854,700.72	--------	$1,318,834.36
Miscellaneous items	20,481,442.23	24,425,546.03	--------	3,944,103.80
Total Unadjusted Credits	$219,453,405.48	$202,699,837.62	$16,753,567.86	
Total Liabilities	**$1,112,899,599.89**	**$1,081,923,683.13**	**$30,975,916.76**	

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	December 31, 1944	December 31, 1943	Increase	Decrease
Surplus:				
Paid-in surplus	$860.00	$860.00		
Earned surplus—appropriated:				
Additions and betterments	$28,522,352.23	$28,522,352.23		
Funded debt retired through income and surplus	2,358,998.66	2,303,568.66	$55,430.00	
Sinking fund reserves	50.00	50.00		
Estimated post-war refund of Federal excess-profits taxes	--------	7,969,203.00	--------	$7,969,203.00
Reserve against possible refunds on U. S. Government shipments	9,140,980.45	10,000,000.00	--------	859,019.55
Total Earned Surplus—Appropriated	$40,022,381.34	$48,795,173.89	--------	$8,772,792.55
Earned Surplus—Unappropriated	**$314,661,881.36**	**$285,670,239.12**	**$28,991,642.24**	
Total Earned Surplus	$354,684,262.70	$334,465,413.01	$20,218,849.69	
Total Surplus	$354,685,122.70	$334,466,273.01	$20,218,849.69	
As this consolidated balance sheet excludes all intercompany items, securities of the Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company owned by other System companies are not included. The difference between the par and face value of such securities as carried on the books of the issuing companies (less unextinguished discount on the bonds and discount charged to Earned Surplus—Unappropriated but added back in consolidating the accounts) and the amounts at which the securities are carried on the books of the owning companies is set up here to balance	$39,570,169.74	$39,570,169.74		
Grand Total	**$1,507,154,892.33**	**$1,455,960,125.88**	**$51,194,766.45**	

EXPENDITURES CHARGEABLE TO INVESTMENT IN ROAD AND EQUIPMENT PROPERTY

Additions and Betterments (excluding equipment)	$7,150,025.57
Equipment	11,699,999.75
Total Expenditures	$18,850,025.32
Credits to investment in Road and Equipment Property:	
Cost of property retired and not replaced	$1,113,266.56
Cost of equipment retired	1,016,659.24
Total Credits	$2,129,925.80
Net increase in investment in "Road and Equipment Property"	$16,720,099.52

A Proposed Treaty With Germany

(Continued from page 1938)

Rumania	Germany
1. Cession of the Dobrudja, depriving Rumania of outlet to sea; regulation and control of Danube.	Regulation and control of ports of Kiel, Stettin, Bremen and Hamburg.
2. Removal to Germany of gold of National Bank.	
3. Redemption at par of Rumanian bank notes printed by German Army during occupation of country and spent therein.	Redemption at par of native currency printed by German armies during occupation of various European countries and spent therein.
4. All foreign firms in Rumania to be liquidated and their acquisition by German firms to be arranged.	All German firms abroad and in liberated countries to be liquidated and their acquisition by United Nations interests to be arranged.
5. Cession of all Rumanian districts producing petroleum, coal, gold and manganese.	Cession of all territory east of the Oder; also of the Ruhr region, the Saar Basin, the Rhineland and Upper Silesia with possible internationalization of parts thereof.
6. All Rumanian demesnes to be leased for exploitation and development to a German company for a period of 90 years, Rumania to furnish all the labor required therefor.	Germany to furnish all the labor required for the reconstruction and rehabilitation of territories and districts destroyed or damaged by the German armies.
7. Rumania to grant to Germany for 90 years the exclusive right to exploit and develop all land producing or possessing oil, natural gas, asphalt and bituminous products.	
8. Rumania agrees to sell to Germany for a period of two years (Germany reserving the right to extend the period for an additional seven years) all agricultural and mineral surplus at not exceeding 50% of the prevailing market for such products.	
9. Rumania's indemnity placed at 9,000,000,000 lei (according to Baron Von Kuehlemann), equivalent to $1,738,280,000, or about $250 for each man, woman and child in Rumania at the time.	Taking into account certain economic indices, as they applied to Rumania in 1918, and projecting them in regard to Germany, the indemnity to be paid by the Reich may be placed at $31,250,000,000.
10. Rumania agrees to maintain indefinitely six German divisions as an army of occupation, presumably to enforce the terms of the treaty.	Germany agrees to maintain indefinitely 60 United Nations divisions as armies of occupation to see to it that the Germans live up to the provisions of the treaty.

For the purpose of elucidating the above suggestions, the following notes are submitted:

1. Students familiar with the geographic position of Rumania prior to World War I will appreciate the economic importance to the country of the region bordering on the Black Sea and known as the Dobrudja. They will also appreciate the economic importance of the entire Danubian Basin, especially that part of it which is located within the Kingdom. Depriving the latter of control over these regions was designed to deal a most severe blow to the economic structure of the country. The only measures which would compare with these provisions of the Treaty of Bucharest in so far as Germany is concerned would be for the United Nations to regulate and control Germany's access to the sea through the administration by representatives of the United Nations of Germany's principal ports on the Baltic west of the mouth of the Oder and on the North Sea.

2. Although the Treaty of Bucharest provided for the sanction by Rumania of the removal of the entire gold stock of the National Bank to Germany immediately following the occupation of the country by the armies of the Kaiser, no similar measure is suggested in regard to Germany at the end of the present conflict.

3. During the occupation of Rumania by the German armies, enormous quantities of Rumanian money were printed and used as payment for practically all of Rumania's agricultural and mineral production. Even though these banknotes had no backing whatsoever, Rumanians were compelled to accept them as real money. The Treaty of Bucharest provides for the redemption at full face value of these banknotes estimated at substantially more than 2,000,000,000 lei, equivalent to somewhat less than $400,000,000. The proposed treaty for Germany contains a similar provision, and there can possibly be no objection to it.

4. Since it is generally agreed that most, if not all, German firms operating in foreign lands have been specifically charged by their government with carrying on German propaganda detrimental to the countries in which they were domiciled, the suggestion to liquidate all German firms abroad and in liberated countries should contribute greatly towards the future peace of the world. To be sure, the acquisition of such firms by United Nations interests might prove very difficult, but arrangements could be made for the orderly sale at public auction.

5. The suggestion that Germany cede all territory east of the Oder, the Ruhr region, the Saar Basin, the Rhineland and Upper Silesia is virtually identical with the provision in the Bucharest Treaty for the cession of Rumanian districts containing petroleum and other mineral deposits. It is taken for granted that Upper Silesia will become a part of the new Poland. With respect to the other districts, arrangements might be made for their administration by a joint Commission composed of representatives of United Nations.

6. Since Germany did not hesitate to request that Rumania furnish Germany with all the labor necessary to exploit and develop the country's resources for a period of 90 years, it would not seem unreasonable to request Germany to supply labor which may be needed to reconstruct and rehabilitate what the German armies have destroyed during the war.

9. In order to arrive at a figure representing indemnity which Germany should pay to the United Nations, account has been taken of various economic indices, including, *inter alia*, volume of trade (both exports and imports), governmental receipts, population and national wealth. It is interesting that the above figure of $31¼ billion is almost identical with the indemnity fixed after the first World War by the Reparations Commission.

10. Taking into account the size of Germany from the point of view of population, the suggestion that Germany be requested to maintain indefinitely 60 United Nations divisions to enforce the provisions of the treaty is a measure similar to the one contained in the Treaty of Bucharest calling upon Rumania to maintain six German divisions. Rumania's population at the time, placed at 7,000,000, compares with Germany's population today of about 70,000,000.

Germany, or those within or outside the Reich, who may incline to pity or sympathize with her, cannot possibly object if the United Nations were to do unto Germany what Germany has seen fit to do unto them. As a matter of fact, the proposed terms are less harsh than those contained in the Treaty of Bucharest.

B. F. Goodrich Bonds Offered Publicly

An underwriting group managed by Goldman, Sachs & Co. and Dillon, Read & Co. on May 1 offered $35,000,000 of B. F. Goodrich Co. 2¾% first mortgage bonds, due in 1965, at 100½% and accrued interest.

The company will use the net proceeds from the sale of these bonds for the redemption of $21,049,000 of first mortgage 4¼s and of $4,700,000 of first mortgage 3s, both due in 1956. The balance of the proceeds will be added to general funds, to be used largely to finance future plant expansion and changes and future plant acquisitions not yet determined, with any remainder being added to working capital.

Provision has been made for a sinking fund, commencing on Nov. 1, 1948, calculated to retire about two-thirds of the issue before maturity. Annual sinking fund retirements will amount to $1,375,000 of the bonds, with the sinking fund redemption price beginning at 101%. The bonds are redeemable other than through the sinking fund at 103% before May 1, 1946, with successive reductions thereafter.

Upon completion of this financing, the outstanding capitalization of the company will consist of the new bonds, 412,031 shares of $5 preferred stock and 1,303,255 shares of no-par common stock.

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Foreign Trade Financing Problems

(Continued from first page)

The problem is, how will the foreign countries, willing to buy in the United States, provide the dollars to pay for their purchases? There are some people who say we should not worry about that, the necessary dollars are already available in the form of dollar balances and large gold holdings, just waiting to be spent for purchases in this country.

Foreign Gold and Dollar Balances

It is generally estimated that the total of gold holdings outside the United States and dollar balances increased from 14 billion at the end of 1941 to about 22 billion at the end of 1944.

Here the question arises how far the foreign countries are willing to use these gold and dollar balances to pay for their imports from this country?

A considerable part of these resources will surely be held—and rightly so—as reserves for national currencies. It is to be expected, that most countries will try to preserve them to avoid the depreciation of their national currencies for lack of reserves. Moreover, the gold and dollar balances are highly centralized in the hands of the governments which are likely to follow the policy of protecting their reserves from being drained by capital flight or to be squandered for the importation of quasi-luxury goods like automobiles, radios, refrigerators and other durable consumer goods. This will be done either by exchange control or trade control through an import license system or, most probably, by a combination of both. We could observe such tendency some time ago when somewhat larger quantities of goods became available for export. The immediate reaction of certain South American governments was to tighten the control of imports and Peru established exchange control to prevent the importation of luxury goods.

In the first liberated country—France—we see the centralization of foreign trade in the hands of the Government and the tendency to keep well in hand the control over the spending of exchange reserves. If another proof were needed it could be found in the recently concluded lend-lease agreement between France and the United States which shows that France, although holding about two billion worth of gold and dollar reserves, preferred to pay for long-life capital goods with 20% down payment and the balance in equal annual installments over a period of 30 years. It is likely that in the first reconstruction period after the war France's example will be followed by other liberated countries with important gold and exchange reserves as the Netherlands, Belgium, Czecho-Slovakia, Norway, Denmark.

Besides, even the large dollar balances accumulated during the war as a result of large export surpluses, are not avaliable in their entirety for American exports. The dollar, for the time being and probably for some years after the war the only freely convertible currency, constitutes a general reserve to take care of the adverse trade balances of these countries. The Latin American countries as well as the countries of the "Sterling Area" will not be able for a long time to use their enormous pound balances for purchases outside Great Britain and even within Great Britain only on a restricted scale. So they will have to pay for imports, from wherever they may come, out of their convertible dollar balances.

But even should the foreign countries with large gold and dollar balances be willing to use them to pay for their imports from America, how long would they be able to do so? It would be just enough to finance the first rush of the accumulated wartime demand and the rapid shrinkage of the exchange reserves would soon compel the governments to take emergency measures for their preservation.

I am afraid our exporters would be heading for disappointment if they would base our export possibilities on existing foreign-owned exchange reserves.

Can We Supply Dollars for Exports?

Another possibility to finance our exports would be to supply the foreign countries with dollars by buying from them. The general belief seems to be that this would be the right thing to do. The theory is that the United States, in becoming a creditor country, has a kind of moral obligation to a deficitary balance of trade. There is nothing to say against this theory except that it is—at least in my opinion—not a workable one.

The last more or less normal year, 1937, shows the following distribution of our imports, itemized by merchandise and countries representing more than 3% each of our total imports:

Merchandise

	% of Total
Rubber	8.3
Sugar	5.6
Coffee	5
Paper	--
Newsprint	4.1
Raw silk	3.6
Tin	3.1
Woodpulp	--
Chemicals	3.1
Wool	3

Countries

	% of Total
Canada	12.9
British Malaya	7.6
United Kingdom	6.6
Japan	6.6
Cuba	4.8
Argentina	4:5
Philippines	4.1
Brazil	3.9
British Indies	3.4
Netherlands Indies	3.7
China	3
Germany	3

The outstanding fact of this survey is that the most important single items on this list of our imports are raw materials and foodstuffs. Now the question is how far would an increase of our national output and purchasing power create an increased demand for these import products?

There is the most important single product: rubber, representing 8.3% of our total imports. How will this important import item be influenced by the development of our synthetic rubber production? I think it is a rather safe guess that the productive capacity of our synthetic rubber industry is already large enough to satisfy our peace-time demand of rubber. Once the synthetic rubber industry, in which large capital is invested, gets adequate tariff protection—as I have little doubt it will—it may well happen that the largest item of our imports, rubber, will be practically eliminated or at least drastically reduced.

The two next important items are sugar and coffee. Foodstuffs have the particularity that their market is not elastic. The market for industrial products is practically unlimited. Markets for existing products can be enlarged by lowering prices, making the products accessible to a larger mass of people or the demand for new products may be created by publicity, as it was done with automobiles, radios, refrigerators, and others. But in this country the market for coffee and sugar can only extend as the population grows. The purchasing power of this country may rise to unprecedented heights or the price of sugar and coffee may decline to unprecedented lows, without anybody drinking more coffee or increasing the quantity of sugar he is used to for his coffee or tea.

The Tariff Problem

What I am driving at is that in order to increase our imports to an important degree we would have to open the markets of this country to industrial mass products by lowering our tariffs to a level which would permit foreign products to compete successfully with American products.

The United States will, of course, not be the only country eager to increase its exports after the war. Great Britain's post-war program is asking for an increase of her exports to at least 50% over pre-war level. Great Britain has built up a tremendous foreign debt during the war, chiefly in the form of frozen sterling balances. There can be no doubt that these frozen balances cannot be liquidated by gold transfers. The only way for England to liquidate them and to pay for the raw materials needed by her industry is to increase her exports to an extraordinary extent. This can be done only by considerably increasing the productivity of labor and maintaining a relatively low standard of living as compared with that of the United States. In principle the situation will be the same in the other European war countries. Only export will enable them to pay the debt to be contracted in the reconstruction period.

It has been the legitimate pride of the United States that its population lived on the highest standard of the world, and the tendency seems to point toward a further increase of the standard of living after the war. There is nothing to object against this policy except that it will prove difficult to reconcile with a really liberal tariff policy, which is propagandized with equal emphasis. The difference in the standard of living as expressed in the price of labor can, of course, be balanced to a certain extent by a greater productivity of labor. It is sure that the productivity of American labor is at the present time superior to that of any European country. But I do not think this advantage is big enough to make up for the difference in the price of labor; moreover, it is to be expected that the newly-equipped European industries will, after the war, wipe out this advantage to a large extent.

Hence it seems clear that the idea of increasing American imports sufficiently to supply foreign countries with the dollars needed to pay for American exports in the amount of $10,000,000,000 plus amortization and interest of their debts to this country can only be carried out at the price of detriment to our own industry.

Financing Our Exports

Another possibility would be our financing our exports ourselves.

We must distinguish between loans to finance the current trade and long term foreign investments to finance the final balance of payment. The former are short-term loans from the exporter to the importer through banks (in their most usual form acceptance credits); the latter are long-term foreign investments creating the potential source from which flows the exchange to reimburse short-term credits; or, in other words, the adverse balance of payment is offset by foreign investments instead of gold. The interrelation between these two credit categories is clear. The exporter grants credit to his customer at his own risk. It is up to him to consider and to judge the credit capacity of his customers. But the involved exchange risk depends on the functioning of the long-term credit source, which is the basis of exchange stability. The exporter judges the credit capacity of his customer on the basis of the exchange rates prevailing at the time the business transaction takes place and his judgment may have been sound at that particular time. But a considerable change in the relation of the exchange rates between the seller's and the buyer's country may transform a debtor, solvent in the terms of his national currency, into an insolvent debtor in the terms of the currency in which payment must be made. Or it may be impossible for him to procure the required exchange at all, at whatever price.

Theoretically it seems very easy to finance the international trade balance. The world trade in 1938 shows a total of world exports of 22.7 billion against world imports of 24.4 billion, which left a balance of only 1.7 billion. But these figures do not show the difficulties involved. The major problem results from the distribution of the trade balances between the individual countries. Before World War I, and in a somewhat lesser degree before World War II, the financing of the current world trade was in the hands of the banks of Great Britain. The exporter who shipped merchandise from, let us say, Argentina to Spain, usually made his invoice payable by draft on London. At the base of this situation was the stability of the pound and the willingness of Great Britain to make long-term investments all over the world. The most important reason for Great Britain's decision after World War I to revalorize the pound, at the price of very hard sacrifices, was to reestablish London as the financial center of the world.

After the wholesale liquidation of her foreign investments and the accumulation of an enormous foreign debt which changed Great Britain's position from a creditor to a debtor nation, Great Britain will not be able after this war to be again the banker of the world.

Is the United States willing to accept Britain's legacy? Those who say that having become a creditor nation, America must behave accordingly, seem to believe the answer is — yes.

There is not much to say about financing current international trade transactions in the form of self-liquidating acceptance credits. Such transactions are within the framework of current banking business. Foreign correspondent banks with working balances in this country will find no difficulties to get the short term credits enabling them to finance the imports of their customers from this

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country or even from other countries.

Dangers of "Standstill Agreements"

But if we are to avoid that these short-term credits turn eventually into standstill agreements, two requirements must be met. One is that we must enable the foreign debtor nations to settle their adverse trade balances, by supplying them with the necessary exchange by means of long-term investments; the other is that we must acquire a creditor's psychology. No continuously normal international financial relations are possible if the largest creditor tries to cancel his foreign short-term credits as soon as his own national money market tightens. The rush on the national money market of a particular country by its short-term foreign creditors has the same effect as a rush on the national banking system by its depositors. No bank, however sound, could stand such drain for a long time. This happened in Germany in 1931. At the beginning of 1931, short-term investments in Germany were estimated at ten billion marks. The rush started in the early spring of 1931. During the first seven months three billion were withdrawn. However, the figures for the end of July, 1931, the peak of the crisis, published by the "Bankers' Committee on the Credit Situation in Germany," which met in Basle in July, 1931, show foreign short-term investments in Germany of 8 billion and short-term investments of Germany abroad of 3½ billion. (They were probably considerably higher, because, as a consequence of the withdrawals of foreign capital in the first months of 1931, capital flight started on a considerable scale also from inside Germany.) In normal times this relation between short-term foreign debts and short-term foreign investments would not have been particularly dangerous. But in this particular month of July, 1931, not a single dollar would have remained in Germany of its own volition. Under these circumstances the standstill agreement was the only way out of a hopeless situation.

Permanent Foreign Investments Required

What I mean is, that foreign investments, short or long-term, should not be considered as a temporary outlet for a temporary surplus of capital, but as a **permanent** investment abroad. I mean, for instance, that a first class borrower should be reasonably sure to find no difficulties in extending or replacing his short-term liabilities.

Of course, credit investments in a particular country do not mean that they must absolutely be used for direct purchases in the lending country. For instance, a country which happens not to need American products may buy in England, thereby enabling England to use the dollars so acquired for purchases in the United States.

The plan of the International Bank agreed upon in Bretton Woods proposes to take care to a certain extent of long-term credits by granting them directly or guaranteeing them. I suppose that the International Bank will prefer to guarantee loans rather than to lend directly. The creation of the bank would no doubt facilitate foreign investments and would first of all lower their interest rates.

A policy of large foreign investments would have to overcome some psychological and technical difficulties.

There is in this country, whether it is justified or not, a certain mistrust against foreign investments. The country's experience in this domain is relatively recent. During the time of the tremendous industrial development of America there was no capital available for investments abroad. On the contrary, foreign capital assumed a large proportion in the financing of the country's industrialization. It was only after the first World War that American capital ventured on a large scale into foreign investments. Some of these loans are in default. But it is interesting to note that from the total amount of $15,500,000,000 in default (of which $13,000,000,000 are interallied war debts) $14,500,000,000 are Government debts and only about $1,000,000,000 private loans. And we should also remember that this happened in the worst economic depression the world ever suffered. I am not so sure if the creditors of foreign loans have suffered more than the domestic investors.

Difficulty of Our Decentralized Banking

A technical difficulty arises from the banking structure of this country. The outstanding feature of the American banking system is its decentralization. This fact is, of course, an intentional consequence of the legal provision that prohibits country-wide branch banking. This means decentralization of the financial forces of the country. Although the big banks of the United States are the largest in the world, they control only a small percentage of the country's capital reserves, compared with the percentage controlled by the large foreign banks with branches all over their countries.

Moreover, the American banks are relative newcomers in the foreign banking business. Although their importance in the international business has grown enormously between the two world wars, there are not more than perhaps a dozen banks in this country which do international business on a large scale beyond the current foreign banking business. This kind of business requires large experience and intimate knowledge of the foreign countries, their policies, their economies and their people, as well as large capital resources. The immense majority of the 15,000 American banks have neither the financial nor the personal resources required for this business. Hence, a great part of the financial power of the country is lost to it.

There are possibilities to overcome these difficulties. I could imagine, for instance, the creation of an American Foreign Bank with the participation of a great part of American banks. This bank would be able to draw upon the totality of the country's capital resources and would in the same time open a new source of profit to the participating banks while diminishing their individual risks.

The idea of those who favor large long-term foreign investments is that this country, by using its financial power in the service of the development of the wealth-creating forces of the whole world, would not only largely contribute to the reorganization of the world and to the maintenance of a lasting peace, but would also create the potential dollar purchasing power to pay for large exports from this country. This may be true. But the believers in this idea make a mistake to assume that we could accept sooner or later the repayment of these foreign investments in the form of American imports.

My conclusion is this: Large exports from this country are possible only if we are willing to make previously large long-term investments abroad, which will have to be considered as **permanent**. Such a credit policy is, of course, not without serious risks. But, whether we like it or not, if we want large exports, this is the price to pay.

"Futuristic Monetary Degeneracy" In Washington

(Continued from page 1940)

Banker Discloses Treasury Propaganda

At the BW hearings last Friday an interesting revelation by the spokesman of the Independent Bankers Association, under questioning, was the fact that the Treasury Department had drafted the pro-Bretton Woods report of that association. That report was made public after the anti-BW report of the American Bankers Association, it now is apparent, as a Treasury effort to show that bankers are not all against the BW Fund. This disclosure is one more piece of evidence that the Treasury has played an active role in arranging the "spontaneous" support of the BW plan by numerous private organizations possessing publicity machinery.

The BW hearings have made it clear by now that the BW program is widely supported on the grounds of "international cooperation," quite regardless of its economic pros and cons, or whether we shall lose any or all of the money we put into the Fund and Bank. If there were no BW plan, any other plan so presented would today receive the majority support of the public, to judge by the hearings.

Reserve Ratio Has Hearings

The Senate hearings of February and March on the reserve ratio bill S. 510, now printed by the Banking and Currency Committee, record some interesting statements concerning the U. S. dollar and our monetary and banking system. Mr. Marriner S. Eccles, Chairman of the Federal Reserve Board, expressed some views which did not go over well with some of his fellow Westerners like Senator Abe Murdock, of Utah. The hearings were cited last week on the floor of the Senate.

During his testimony in support of a lower reserve ratio, Mr. Eccles, said:

> We are the only country left that still has the archaic idea of maintaining a gold reserve back of the currency. [Other countries accumulate gold] because they know we have to buy it. . . . They have more need for the dollars the gold will buy and for the goods that the dollars will buy than for the gold itself. It is the goods they want, in the end.
>
> If we increased the price of gold [it would be] a pretty expensive subsidy for unemployment. . . . I cannot imagine a more useless way of giving or stimulating employment. . . . It was determined that one of the most useless activities was gold production, that gold absolutely served no useful purpose in connection with . . . money and credit to finance the war throughout the world. . . .
>
> The British and Canadians . . . have maintained no gold standard for some time, and they have . . . had . . . in all probability less inflation than we have. . . . Paying dollars for a product we do not need [gold] . . . is merely a subsidy to foreigners.

Mr. Eccles stated he would like to see the reserve ratio not only lowered, but done away with entirely, although, since we have so much gold, he is willing to have it used as reserve against Federal Reserve Bank liabilities. This, however, he does merely out of "respect to orthodoxy." The reserve, he testified, "is acceptable generally to bankers and people who have an idea that there is some mystical form of security in gold."

A gold backing to the dollar does not affect the dollar's buying power, according to Mr. Eccles. The way to prevent inflation is to increase the supply of goods, he says. The gold reserve behind the dollar "in no way aids this country."

Private Banking System Essential to Private Capitalism

The present level of currency and deposits in the United States Mr. Eccles regards as permanent, and he sees a probability of a marked future growth in bank deposits.

Chairman Eccles takes issue with Congressman Patman's idea that the commercial banks should not be entitled to buy interest-bearing Government bonds. He reports that Patman has receded from his original idea that the Government should finance itself entirely with greenbacks. But even the now-modified Patman plan, says Mr. Eccles, would destroy the private banking system by turning its profits into losses, "and as Mr. Lenin, the founder of the communistic system, wisely said, the first move toward communism is for the government to take over completely the credit system. . . . You must have a private banking system . . . if you are to have a democracy." Thus, if Mr. Eccles is no hard money man, neither is he a real soft money man. He believes in a controlled currency with privately-owned banking.

Gold Worth $5 An Ounce

Senator Murdock, while demanding a higher price for gold as an alternative to reducing the reserve ratio, observed that if we let gold "revert to its intrinsic value, it might not be worth more than $5 an ounce." Mr. Murdock quite frankly views the present price of gold as artificial. In other words, like the Treasury's price of silver, it is a subsidy to the producers.

Senator Murdock's sincerity in estimating the "intrinsic value" of gold at $5 an ounce must be applauded; yet it is hardly a convincing argument for still further raising the statutory price and thereby debasing the dollar. Fortunately for the advocates of Bretton Woods, the Westerners' effort to increase the price of gold was turned down in the Senate.

During the Senate debate, Mr. Johnson of Colorado summed up Mr. Eccles' testimony as "futuristic monetary degeneracy." He added:

> Unless the Congress places some restraint on the Federal Reserve Board Chairman in his effort to dethrone gold from its traditional pinnacle of confidence and usefulness, I very much fear that its failure to do so will be construed as a capitulation and an indication of their willingness to experiment in managed currency, which is, in my opinion, foredoomed to failure.

Thus the dollar enters its 13th year of Congressional legislative treatment. Congress may exercise its power to coin our money, but greater forces, it seems, determine the value thereof.

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Business Man's Bookshelf

Effect of Molecular Structure of Fuels on the Power and Efficiency of Internal Combustion Engines—Charles F. Kettering, General Motors Corporation, Detroit, Mich. —paper.

Exchange Stabilization — J. B. Condliffe — Committee on International Economic Policy, 405 West 117th Street, New York 17, N. Y.—paper—10¢.

International Conciliation — For April, 1945, in two sections—Reports on The Crimea Conference; The Act of Chapultepec; and Universities Committee on Post-War International Problems — paper —5¢.

International Monetary Reconstructions — The Bretton Woods Agreements — Michael A. Heilperin—American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—paper—50¢.

Our Debts—A Study of Federal, State and Municipal Debts As They Affect Citizens of New York State — Citizens Public Expenditure Survey of New York State, 100 State Street, Albany, N. Y.—paper.

Planning for the Future—Current Economic Problems, Finance and the Stock Exchange—Ludwig Bendix (partner in Bendix, Luitweiler & Co., New York Stock Exchange members)—The International Press, 121 Varick Street, New York City—paper.

Prefabricated Structures 1940-1944—A list of references—Edw. S. Evans Transportation Research, 435 Woodward Building, Washington 5, D. C.—paper.

Rockefeller Foundation, The — A Review for 1944—Raymond B. Fosdick—The Rockefeller Foundation, 49 West 49th Street, New York City—paper.

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Canadian Securities

By BRUCE WILLIAMS

Patient confidence in a favorable outcome of the Alberta debt refunding situation seems on the point of receiving just reward. Premier Manning has announced the convocation of a caucus of Social Credit party members for the primary purpose of reconsidering the previous Alberta Government proposal in light of the strong recommendation of the Federal Department of Finance, accompanied a generous offer of assistance, that the province take measures fully to rehabilitate the credit of Alberta. Consequently as previously indicated, a proposal to the bondholders along the lines of the Montreal plan might very well now be forthcoming.

Premier Manning, as many sound advisers have already emphasized, can now put the issues quarely to those of his party who still cling blindly to the specious concepts of the Social Credit doctrines which were evolved in the desperate atmosphere of depression, but with return of prosperity and the assurance of the generous cooperation of the central government, they can be replaced by policies based on financial and economic orthodoxy.

It is now apparent that the Social Credit party is at the crossroads, and a grave responsibility rests upon its members to choose its future direction. Alberta is clearly on the threshold of a great era of economic development which can be fully realized only with full restoration of the provincial credit. Never has there been a more propitious opportunity to undo the mistakes of the past and permit Alberta to take its rightful position in the ranks of the leading Canadian provinces.

The intervention of Finance Minister Ilsley in the Alberta situation has further implications. It clearly demonstrated that the Federal Government is very much concerned not only with regard to the high credit standing of its own obligations, but also that everything in its power should be done to preserve the utmost trust in the good faith of all Canadian governments. It has already been intimated in the comparable case of the Province of Saskatchewan, that the new C.C.F. government, in spite of whatever airy financial notions might be held by some party followers, realizes nevertheless the paramount importance of sound credit.

Now it should be evident that any steps taken by the Saskatchewan Government to place its credit on a sounder footing will have not only the blessing but the support of the authorities in Ottawa.

Political obstacles and the self-interest of certain of the leading Canadian provinces have prevented a more definite bolstering of the financial structure of the weaker provinces by the implementation of certain recommendations of the Sirois Report. But it is encouraging to investors to know that the purpose still remains to prevent, by whatever direct or indirect means available, the recurrence of any setback to Canadian credit standing.

With regard to the market for the past week, the tone continued strong, but in the case of the high grades, the lack of supply still restricted the turnover. Longer term provincials, especially Manitobas, were in keen demand at new high levels. Following anticipation of a better offer to the bondholders, Albertas were a center of countrywide interest and active trading carried the price of the longer term issues well through par. Saskatchewans also attracted attention following the report that the July 2 maturity will be met in cash, and the longer term issues were established about 10 points above their recent low mark.

Internals were quite active. There was a steady demand for the new Victory Loan bonds, and with interest continuing in gold shares, free funds were bid at the official selling rate.

Turning to future prospects, while investment markets generally continue to discount a lower trend in interest rates, the demand for Canadian securities will persist accordingly, and as we approach the period of the Federal elections there is increasing confidence that the results will have no adverse market effect.

Robert Loder to Open in East Orange, N. J.

EAST ORANGE, N. J.—Robert Loder will open offices shortly at 60 North Walnut Street to deal in investment securities. Mr. Loder was formerly a partner in Clark & Loder in New York City for many years.

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CANADIAN SECURITIES
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OUR REPORTER'S REPORT

There was no let up in the rush on the part of corporate issuers and investment underwriters this week in seeking to clean the slate of potential, new financing in advance of the Treasury's impending War Loan Drive.

And although the market may be suffering from a slight case of indigestion here and there, not surprising in view of the tremendous total of new financing which is going through currently, bankers and dealers alike feel that the market is still far from anything approaching a saturation point.

The saving feature of the current rush of new issues is the fact that virtually in its entirety this business represents the replacement of outstanding issues rather than emission of actual new financing. Accordingly holders of bonds which are being refunded by lower-cost loans find themselves in the position of having to shop around and replace their lost investments.

Since the bulk of the bonds being taken up, by reason of the opportunity afforded by the money market for their replacement, are held by large institutional investors the job of floating the new issues simplifies itself considerably.

Such investors have been a bit resistant to the curent 2¾% coupon prevailing for a number of the current flotations, but with the money market picture what it is, they have little choice but to absorb them.

A Really Fast One

One of the fastest big deals in recent weeks was the marketing of $35,000,000 of new 2¾% first mortgage bonds of B. F. Goodrich Co., maturing in 20 years.

With the maturity a real consideration in view of the fact that most recent issues have been for a minimum of 30 years, and the fact that it was one of the few current industrials, this offering went "out the window" and ruled at a premium after the closing of the books.

Priced at 100½ the bonds were reported as oversubscribed and the books closed within less than an hour of the opening.

Bids Close for Large Issue

Indication that underwriting groups may be getting a bit more conservative in their bidding for new issues was seen in the outcome of Monday's offering of $59,000,000 first and refunding mortgage bonds of Virginia Electric and Power Co.

Two groups sought this issue with the winning syndicate paying the company 100.8229 for the bonds with a 2¾% coupon. The second group's bid was close, 100.3913 or only about 43 cents on a $1,000 piece away from the winner.

The bonds, offered to the public yesterday at a price of 101½ and last report had the issue moving out well.

Tennessee Gas & Transmission

Bankers sponsoring the $35,000,000 first mortgage 3s of the Tennessee Gas and Transmission Corp., were hoping to be able to bring that issue to market today together with $75,000 shares of 5% cumulative preferred stock.

Partially for new money purposes, the proceeds of the sale of the foregoing securities together with a bank loan of $15,000,000 will be used by the company to pay off certain of its debts and to finance construction of new facilities.

Meantime the Panhandle Eastern Pipe Line Co., announced that it had sold, through bankers, to a group of five insurance companies an issue of $10,000,000 of 20-year first mortgage and first lien 2¾% bonds series D.

Two Large Issues Head

Two large offerings, one common stock of the New York Power & Light Corp. and the other 20-year debentures of Joseph E. Seagrams & Sons on schedule for next week should just about round out the corporate financing in sight in advance of the Treasury Drive.

New York Power & Light's offering involves 240,000 shares of common stock which is slated to be sold in competitive bidding on Tuesday.

The Seagrams financing involves $50,000,000 of 20-year debentures guaranteed unconditionally by Distillers Corp.-Seagrams and would provide funds to retire bank loans and increase working capital.

Quarterly
Canadian Review

April 1945 Edition
Volume IX, No. 2

This Edition includes a Review of current Canadian conditions, and brief analyses of six Canadian Provinces

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Halsey, Stuart Sells Chicago & East. Ill. Bds.

Halsey, Stuart & Co., Inc., representing 21 investment dealers, on April 25 received the award of $9,400,000 first mortgage 3¾% bonds, Series B, due May 1, 1985, on a bid of 98.25%. Reoffering of the bonds was made April 26 subject to Interstate Commerce Commission approval at 100% and accrued interest. There was only one bid submitted.

The company proposes to apply the proceeds received from the sale of the bonds, together with additional funds from its treasury, to the extent required to the retirement of all of its outstanding first mortgage 4% bonds, Series A.

Company operates approximately 912 miles of railroad, of which 794 miles are owned. Its principal lines extend from Chicago to Terre Haute and Evansville, Ind., and to St. Louis and Chaffee, Mo.

Moore & Schley Admit

Frederick J. Hart became a partner in Moore & Schley, 100 Broadway, New York City, members of the New York Stock Exchange, on May 1.

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Are Stock Prices Inflated?

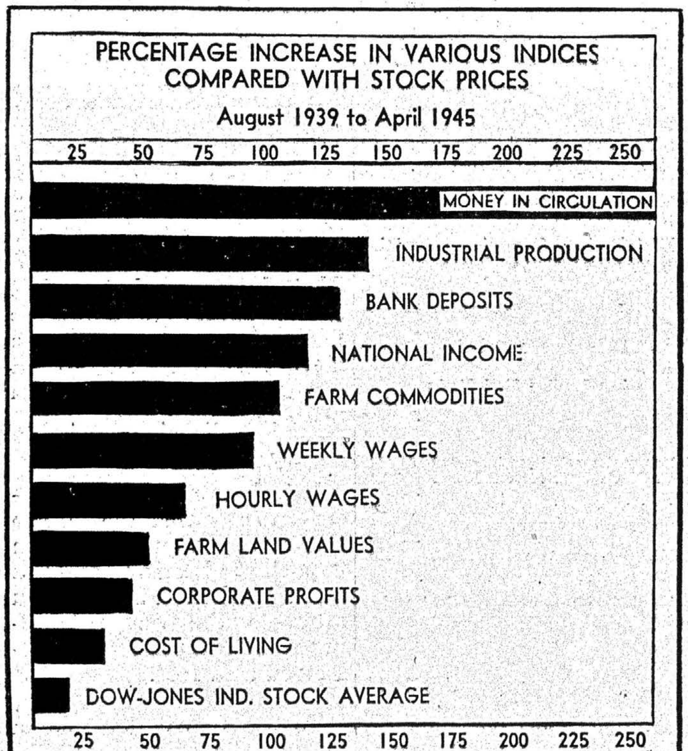
(Continued from page 1939)

the idea in Washington and elsewhere, with mention of the alternative of lengthening to a year or 18 months or longer the present 6 months holding period after which a 25% maximum tax is effective on capital gains.

The Basis for Comparison

Mr. Eccles based his proposal on the theory of "preventing inflation," apparently in the belief that a rise in stock prices is a cause of inflation, instead of being a result as it is in actuality. His use of pre-war levels as a base for other items but not for stock prices (for which he singled out the low point of April, 1942, nearly three years later, to obtain the 30% advance) is not sound.

If September, 1939, the month of the outbreak of the war, were considered, there had been little real advance in the market to the day of Mr. Eccles's proposal, Feb. 20, the Dow-Jones Industrial Stock Average on that date having been 159.57, only 2.3% higher than its Sept. 12, 1939 figure of 155.92.



The above chart shows a comparison of stock prices with a number of well-known economic indices, giving the respective advances in percentages between August, 1939, and the latest available figures prior to April 1, 1945. Advances in the economic factors shown ordinarily contribute to a profitable economy. While some indices may only indirectly be important, when they rise compositely conditions usually are such as to create bull markets in stocks, and it appears that, in comparison with all the advances shown, stock prices in reality now seem low.

Farm vs. Stock Prices

While the "inflation" of residential values is due almost entirely to scarcity (a factor that, even though probably present, is minor in stock prices), the "inflation" of farm values has more resemblance to the problem of stock prices. Farms are worth more because they produce more income at the present level of demand and prices. It is quite natural that farm sale prices should rise.

The post-war outlook for corporations, represented by stocks, however, is certainly better than for farms. Although there may be a year or two of relatively good agricultural conditions, such will not be as favorable as during the war, and a poor period for American agriculture after a year or two can be easily visualized. But many, if not most, companies will be able to show earnings equal to or better than wartime if taxes are to be in any way reasonable, and, since stock prices typically are higher in relation to earnings in peacetime than in wartime, the post-war outlook for stock prices is distinctly superior.

Limiting Price Rises

The idea has been advanced that the prices of farms and small businesses should be kept low so that they would offer profitable opportunities to returning war veterans. The only realistic way for such prices in general to be kept down, however, would be for conditions (i.e., depression or poor business) to cause prices to be low. Under such circumstances, wise veterans would not desire to buy them or to set them up in any event.

With farms and small businesses, only the individuals selling them to veterans at under market prices would suffer. But how could price limitation be applied to stocks—where each share is exactly similar to others in the hands of up to hundreds of thousands of other holders, and where each sale sets the current value for all of each issue—without breaking down the entire market system? Here, also, the only natural way to have prices low would be to have depression or near depression conditions.

As the past experience of Germany and France shows, it is easily possible to kill off trading in stocks and to destroy their market liquidity. The initial impetus usually came from the desire to prevent prices rising or even fluctuating, but, in the final analysis, the result on prices was merely to drive their realization on any large scale into black markets.

Prices Determined by Values

The intrinsic values behind stock prices may be obscured even for considerable periods by psychological factors or mistaken forecasts of the future, but in the end, although not necessarily within rigid limits, values do determine prices. Among the more important of these instrinsic factors are earnings, dividends and financial standing.

As compared with the outbreak of the war in Europe, corporate earnings have risen greatly, dividends have increased, and financial standing has improved perhaps most of all. The post-war period is forecast as highly favorable. In comparison with intrinsic values, then, stock prices since the outbreak of the war have not been "inflated," but if anything have lagged behind.

The Factor of Yields

Another factor is that of interest rates. When these are held low, bond yields are low and the better return from stocks is more attractive. Stock yields are, absolutely, not at extremely low levels now. On the other hand, stock yields in comparison with bond yields are unusually high rather than representing "inflated" prices.

The Fallacy of Restrictions

With the present plethora of investable funds, even to ban all brokerage margin accounts might cause only temporary weakness and reduction in the volume of trading and hence market liquidity. The bulk buying for cash would still be the main price influence as long as underlying factors favored buying. Besides, there would be the question of bank borrowing against security collateral. To drive the margin accounts into the banks would be essentially meaningless; to ban borrowing at banks on security collateral would interfere with many legitimate credit functions apart from security trading.

On the other hand, to lengthen the holding period required for long-terms profits or losses, or even to increase moderately the capital gains tax, especially while income taxes remain so high, would scarcely have a permanently depressing effect on stock prices. As long as stocks were considered under-valued or the future prospects were for higher stock prices, there would still be demand, and the investing public would not be especially fearful of holding for a considerable period to gain for advantage of the lower longer-term tax. Moreover, current holders would be reluctant to sell for any temporary reasons because they would lose the tax advantage. Thus demand, under these circumstances, would continue while supply would be more restricted, and the net effect on prices would more likely be upward than downward.

Only some extremely severe measures would be likely really to affect prices adversely for any prolonged period. But this would risk a collapse affecting the whole economic structure, wrecking reconversion and preventing the realization of post-war prosperity—the very opposite of encouraging free enterprise and venture capital.

Conclusion

A dispassionate examination of economic factors indicates that stock prices, instead of being "inflated" or causing inflation, have so far failed to reflect fully underlying improvement and increased value, and are low in comparison with advances in many economic factors. Consequently there is no justification for the employment of arbitrary and artificial restrictions on stock transactions, which would probably not only fail to accomplish their proclaimed purpose but could produce effects likely to handicap and even harm the free enterprise system and the economic transition from war to peace.—Reprinted from the April 26 issue of "Investment Timing" published by the Economics & Investment Department of the National Securities & Research Corporation, New York City.

Newport News Shipbuilding and Dry Dock Company

Statement of Recorded Cost of Work Performed During the Thirteen Weeks Ended March 26, 1945 and March 27, 1944

(Subject to year-end audit, charges and adjustments)

	Thirteen Weeks Ended March 26, 1945	Thirteen Weeks Ended March 27, 1944
New Ship Construction	$24,790,000	$30,001,000
Ship Repairs and Conversions	702,000	1,151,000
Hydraulic Turbines and Accessories and Other Work	711,000	581,000
Totals	$26,203,000	$31,733,000

By Order of the Board of Directors

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Comptroller

April 23, 1945

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Mutual Funds

A Long Period of Prosperity

William A. Parker, President, in his current quarterly report on **Incorporated Investors**, foresees "a long period of prosperity in the post-war years."

The total net assets of Incorporated Investors increased from $57,235,622 at the beginning of the quarter to $62,305,804 at the end of the quarter. Changes in the portfolio during this period consisted for the most part of reductions in holdings of bank stocks and increases in railroad, building and public utility stocks.

Mr. Parker states that: "As of the end of the quarter the fund was practically fully invested because of the conviction that relative to post-war values current prices of carefully selected securities do not pear high....

"With the business and financial forces operating to produce a long period of prosperity in the post-war years, it appears to be sound policy where investment is concerned to disregard possible intermediate movements in stock prices. The huge backlog of purchasing power and the tremendous deficit of civilian goods, due not only to curtailed production during the war but also to the underbuying during the greater part of the decade preceding the war, give grounds for confidence in the years ahead."

Are Stock Prices Inflated?

Keystone Corp. presents a chart in the current issue of **Keynotes** which effectively disproves any suggestion that stock prices have become inflated during the war. The chart shows the course of the Dow-Jones Industrial Average as compared with National Income from 1934 to date.

Since 1939 National Income has risen from $71.5 billion to $160.7, an increase of 124.7%. The value of farm real estate, wholesale commodity prices and currency in circulation have also risen sharply. And yet the Dow-Jones Industrial Average is still within a few points of its January, 1939, level.

"The price of almost everything that a dollar will buy has risen substantially in the past six years. Common stocks, representing ownership of America's leading businesses, are still available at pre-war prices."

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Investment Company First Quarter Sales

Distributors Group, in a recent letter to dealers, compares the first quarter sales of **Group Securities** with total sales for all 68 open-end member funds. The 50 general portfolio funds had gross sales of $29,802,000 and the 18 bond and specialty funds had sales totalling $39,825,000, for a grand total of $69,627,000.

Sales of Group Securities during the quarter on a comparable basis were $11,510,000, or 28.9% of the 18 bond and specialty fund sales and 16.5% of total sales for the entire industry.

Fundamental Investors, Inc.

Philip W. K. Sweet, President of **Fundamental Investors, Inc.**, reports net assets of the fund at $13,426,332 on March 31, 1945, compared with $12,420,423 at the beginning of the quarter. The per share net asset value of the fund increased 4.2% during the quarter and 20.0% for the 12-month period, as compared with advances of 2.7% and 13.4% by the Standard & Poor's Common Stock Index.

Dollar Averaging With Affiliated Fund

Lord, Abbett accompanied the current mailing of **Abstracts** with a tabulation showing the results of five years of dollar averaging with Affiliated Fund. Commencing on April 1, 1940, with a regular investment of $100 per month and with dividends reinvested, by March 1, 1945, the total value of the shares acquired amounted to $13,060.98, as compared with a total investment of only $6,000.

Thus, an investor following this plan would have shares valued at more than 100% above their original cost today in spite of the fact that the stock market as a whole ended this period only 10% higher than when it began.

Wellington Fund, Inc.

Walter L. Morgan, President, reports that total resources of **Wellington Fund** at March 31, 1945, amounted to $18,178,000—an increase of over $2 million for the past three months. Asset value per share increased to $17.94 at March 31—an increase of 3.07% after allowance for 20¢ per share dividend paid March 31. This compares with a similar increase of a little over 2% in the Dow-Jones Composite Stock Average.

The largest common stock holdings were in the following groups: railroads, 6.25%; banks and insurance, 5.79%; utilities, 5.40%; metals and mining, 4.85%; foods and beverages, 3.64%.

New York Letter

Hugh W. Long & Co., in the current issue of the **New York Letter**, asks: "Where will the money go?" A chart compares the liquid savings of individuals with the value of all stocks listed on the New York Stock Exchange. It shows that at the end of 1939 the total of liquid savings was slightly less than the total value of all listed stocks. After 1939 a gap developed. By the end of 1944 liquid savings were almost twice the value of listed stocks.

"As little as 10% of the liquid savings of individuals is equivalent to more than 20% of the value of all stocks listed on the New York Stock Exchange. If investors decide to put more money to work in stocks, even 10% of their present savings could have a highly important effect upon share values."

Selected American Shares

In its current memorandum concerning investment company shares for trust investment, **Selected Investments Co.** shows the percentage of common stock holdings of four important foundations. The Carnegie Corp. and the Carnegie Institute hold 17.2% and 38.7% of their investment funds in common stocks. The Rockefeller Foundation and Commonwealth Fund both hold over 50% of their investments in common stocks.

This sponsor points out that in trusts where they may be used legally, the trend is gradually turning to common stocks to improve income.

Post-War Growth Opportunities

With a striking chart showing business failures after World War I, a current memorandum from **National Securities and Research Corp.** stresses the dangers facing investors who have their money in the wrong industries.

"A practical way in which the investor can protect himself against a similar mortality in his growth investments after World War II is through purchase of **Industrial Stock Series** shares. In this manner he secures an interest in a continuously and professionally supervised portfolio having representation in 62 companies in 12 leading growth industries.

Measuring Undervaluation in Steel Stocks

Distributors Group's current issue of **Steel News** shows the increase in value of leading steel stocks since the outbreak of the European war as compared with the net decline in their average price.

Ten Leading Steel Stocks

	On Average Per Share
Net current assets have increased	$18.38
Other assets have increased	3.28
Total increase in assets	$21.66
Senior securities have been reduced	8.09
Total increase in value	$29.75

(Exclusive of additions to plant).

"Yet the average market price of these steel stocks has declined $7.92 per share—from their 1939 average high of $58.65 to their present average price of $50.73."

Mutual Fund Literature

Lord, Abbett—Current issue of **Investment Bulletin** showing lag in market action of low-priced stocks vs. high-grade stocks since the first of March. . . . **Keystone Corp.**—Primary lists on all **Keystone Funds as of April 1, 1945**. . . . **Distributors Group**—A reprint of Barron's Investment Company Gauge for the first quarter of 1945; current issue of **Railroad Equipment News** comparing the long-term trend of railway purchases with net railway operating income. . . . **Broad Street Sales Corp.**—Current issue of **Items** showing the National Investors switch record. . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important."

Dividends

New York Stocks, Inc.—The following dividends payable May 25, 1945, to stockholders of record May 5:

Series—	Distributions Per Share Regular	Extra	Total
Agricultural	$.10	$.10	$.20
Alcohol & Dist.	.07	.00	.07
Automobile	.07	.03	.10
Aviation	.20	.00	.20
Bank Stock	.06	.00	.06
Building Supply	.05	.00	.05
Business Equip.	.11	.00	.11
Chemical	.06	.00	.06
Electrical Equip.	.08	.02	.10
Food	.08	.00	.08
Government Bonds	.00	.00	.00
Insurance Stock	.07	.00	.07
Machinery	.10	.00	.10
Merchandising	.09	.10	.19
Metals	.06	.04	.10
Oil	.08	.10	.18
Public Utility	.05	.10	.15
Railroad	.09	.10	.19
Railroad Equip.	.07	.00	.07
Steel	.05	.05	.10
Tobacco	.13	.00	.13
Diversified Investment Fund	.18	.05	.23
*Diversified Speculative Shares	.05	.00	.05

*Initial Dividend.

Lawrence Brinker Co. Chicago Exch. Member

OMAHA, NEB. — Lawrence Brinker & Company, First National Bank Building, have acquired membership on the Chicago Stock Exchange.

The Knickerbocker Fund

for the Diversification, Supervision and Safe-keeping of Investments

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DIVIDEND NOTICE

NEW YORK STOCKS, INC.

The following distributions have been declared on the Special Stock of the Company, payable May 25, 1945 to stockholders of record as of the close of business May 5, 1945.

Agricultural Series	$.10	$.10	$.20
Alcohol & Dist. Series	.07	.00	.07
Automobile Series	.07	.03	.10
Aviation Series	.20	.00	.20
Bank Stock Series	.06	.00	.06
Building Supply Series	.05	.00	.05
Business Equip. Series	.11	.00	.11
Chemical Series	.06	.00	.06
Electrical Equip. Series	.08	.02	.10
Food Series	.08	.00	.08
Government Bonds Series	.00	.00	.00
Insurance Stock Series	.07	.00	.07
Machinery Series	.10	.00	.10
Merchandising Series	.09	.10	.19
Metals Series	.06	.04	.10
Oil Series	.08	.10	.18
Public Utility Series	.05	.10	.15
Railroad Series	.09	.10	.19
Railroad Equip. Series	.07	.00	.07
Steel Series	.05	.05	.10
Tobacco Series	.13	.00	.13
Diversified Investment Fund	.18	.05	.23
*Diversified Speculative Shares	.05	.00	.05

*Initial Dividend.

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Tomorrow's Markets Walter Whyte Says—

Obstacles appear but market shows ability to overcome them. V-E Day no longer a market factor. Doings at 'Frisco Conference much more important.

By WALTER WHYTE

It took no remarkable foresight to say that the 'Frisco Conference would have an important bearing on the stock market. Already you are seeing the averages building what can possibly be described as a roof.

* * *

To see this better take a look at the price action for the past two weeks or so. It makes little difference what averages you use. They all act about the same, It's only a question of degree. Two weeks ago these were about five points below the preceding highs. Sentiment was bearish, or at least it wasn't looking for any immediate strength. There were all kinds of reasons circulating to explain this. What these were is not important. You can always find reasons. Out of this hodge-podge of uncertainties the market whipped around and before you could say—whatever one says at such a time—they were up at the old highs and then whizzed through them as if they didn't exist.

* * *

But now this honeymoon looks about over. The public which took stocks at last week's highs is becoming a little restive. The buyers who got stocks at the lows two weeks ago are either passing them out or have withdrawn into their shells and do no more buying.

Result is that stocks are milling around their old highs. Some of them manage to slip up for fractionally new highs. Most of them, however, continue to show a tendency to either stay put, waiting further developments, or, what may well be indicative, back away from their best prices.

(Continued on page 1964)

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$50,000 — 3s due June 1, 1980
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Municipal News & Notes

With victory in Europe already an accomplished fact, the question of what the transition period will hold in store for the municipal bond market assumes added urgency. Although little or no consideration appears to have been given the subject, it is quite possible that the complexion of the market will change in some respects in the period marking the changeover to a partial peacetime economy.

One aspect of the situation that would appear destined for review and revision concerns the matter of prices, with particular reference to the so-called second grade municipals. These latter, under the stimulus of an all-out war economy, have spiraled to exceptionally high levels. Actually, the extent of the increase, percentagewise, has been even sharper than that registered by high-grade obligations.

Under the circumstances, it is less than idle to speculate on how the prices of some of these liens will react incident to the return of more normal conditions. That some change will occur would seem beyond question. Certainly, this will be the case when consideration is given to the potential removal, or partial elimination, of some of these wartime causes underlying much of their sharp price appreciation.

It is inevitable, of course, that ultimately there will be increased application of the fundamental yardsticks employed in evaluating credit municipal, corporate or otherwise. This will involve, in the case of municipals, more mature consideration of such factors as past history of the debtor, volume of debt and economic capacity for repayment, trend of assessed valuations, etc.

Actually, it is certain that even greater consideration will be given to such factors than has ever been the case. For it is abundantly clear that under the stress of wartime conditions, the economic stature of a great number of communities has been severely distorted and bears no relationship to their normal peacetime standing. Then, too, it is very likely that some of these communities will be able to retain the economic advantages that accrued to them because of the war, while others may lose some of their pre-war eminence.

The mere recital of the foregoing considerations, to which many others may be added, suggests that the municipal statistician will be obliged to ply his trade ceasely with the return of a more normal economy. And the results of his studies may well necessitate a complete readjustment of credit ratings, not alone with respect to standings when the war emergency has diminished, but also in the light of permanent changes that may have taken place as a result of the war.

In short, the municipal market too will be confronted with some "reconversion" problems.

Jersey City Net Debt Cut 43.9% Since 1936

The late Alfred E. Smith's famed slogan, "let's look at the record," could be effectively applied by the Jersey City municipal administration in deflating the periodic "misgivings" for its future voiced by sundry sources and usually given wide currency by the press. For the record, based on facts and figures, pointedly refutes the oft-repeated assertions and charges of municipal disintegration, etc.

The facts in the case disclose, for example, that by Dec. 31, 1945, Jersey City's net public debt will have declined to $39,916,510 from the 1936 aggregate of $71,173,114, representing a dollar decrease of no less than $31,256,604, and a percentage reduction of 43.9%.

In addition, as pointed out in a statement just issued by Mayor Frank Hague, the city has operated on a pay-as-you-go basis continuously since 1936, having maintained this enviable record even during the depression years. As a result, the city has ended each fiscal year with unencumbered cash surpluses ranging from $1,700,000 to $12,400,000. During that period, municipal services have been fully maintained, with operating costs held well within appropriations and revenue collections invariably substantially exceeding conservative budget estimates.

Another "record" for the books concerns the municipal water department, which, despite one of the lowest rate schedules in the country, has been operated each year on a cash surplus, which has been used to reduce general taxation. In addition, according to Mayor Hague, approximately $16,000,000 in delinquent railroad taxes is still [after 12 years] in litigation and when and if, any of these millions are collected, they will be entirely unencumbered cash surplus, available for further reduction of general taxes.

In light of the foregoing disclosures, there can be no doubt, as Mayor Hague observes, that Jersey City is today in its soundest financial condition in history and its current and long-range financial status is such "that we are in an extremely favorable position to meet post-war problems and to capitalize on post-war expansion needs."

Nebraska Municipal Debt Statistics Compiled

The Wachob-Bender Corp. of Omaha has just issued the 1944-1945 edition of its booklet containing a variety of data useful in evaluating the financial condition of taxing units in the State of Nebraska. As usual, an index in the forepart of the booklet facilitates ready access to the record for each community and the data includes the 1940 population, assessed valuation for 1944, bonded debt and total mill levy.

A feature of the document, copies of which may be obtained upon application to the Wachob-Bender Corp., is a discussion of the Consumers Public Power District and its various systems, including their debt status.

Long Beach, N. Y., Calls $33,000 Refundings

Holders of series B general refunding bonds of the City of Long Beach, N. Y., dated Dec. 1, 1940, and due June 1, 1960, are advised that $33,000 principal amount of these bonds have been drawn by lot for redemption on June 1, 1945, at par plus accrued interest. Redemption will be made at the office of the Marine Midland Trust Co., 120 Broadway, New York City.

Long Beach, incidentally, is scheduled to come to market shortly with an issue of $5,443,000 refunding bonds. A bill authorizing issuance and sale of the bonds was recently approved by Governor Thomas E. Dewey and the opinion is held that the city will be able to dispose of the loan at a cost of between 2% and 3%, as compared with the slightly more than 4% contained in existing obligations.

New York State and Local Debt Structures Analyzed

Dealers and investors in bonds of the State of New York and its cities and counties should find extremely informative a study prepared and published by the Citizens Public Expenditure Survey of New York State, 100 State St., Albany. The report, titled "Our Debts—A Story of Federal, State and Municipal Debts as They Affect Citizens of New York State," includes data indicating the net total debt for each city and county at end of fiscal years covering the period 1930-1943, inclusive. Also shown for each unit is the 1943 per capital debt.

For cities alone, a tabular record shows, for 1943, the debt limit, debt margin, and the amount of debt per $1,000 of assessed valuation and per $1,000 of full value.

Equally interesting data is given on the movement of the State's debt between July 1, 1930, and June 30, 1942. By way of illustrating the overall scope of the study it should be pointed out that there are paragraphs titled, "Danger Signs Ahead," "Conflicting Theories of Finance" (pay-as-you-go and life of the project), and "Measures of Municipal Debt Capacity."

Thomas McCabe to Direct Overseas Surplus Office

The office of Army-Navy liquidation, announced on April 23, that active direction of the Office of Overseas Surplus had been assumed by Thomas B. McCabe.

Mr. McCabe is on leave as Chairman of the Federal Reserve Bank of Philadelphia and President of the Scott Paper Co.

The New York "Herald Tribune" announced that assistants to the Commissioner are Major General Donald H. Connolly, recently commanding general of the Persian Gulf Command, is deputy commissioner of the joint military and civilian disposal organization. Rear Admiral W. B. Young, former chief of the Bureau of supplies and Accounts of the Navy.

JERSEY CITY, NEW JERSEY

A NINE-YEAR RECORD *of* SOUND FINANCE

To Investors: The City of Jersey City is justly proud of the exceptional record it has achieved because of consistently conservative financial management. The Mayor and Board of Commissioners feel that those of you who have invested your money in Jersey City's bonds should have the *facts* as to the City's financial condition and an opportunity to look at the noteworthy record of the City's performance on a pay-as-you-go basis for the past nine years. The principal financial results are shown below and are taken from the annual independent audits of the City's records.

The results of conservative budgetary operation are evidenced by the free and unencumbered cash surplus on hand after all obligations of each year were paid in full:

CASH SURPLUS

1936	$ 1,761,789
1937	4,479,796
1938	3,315,963
1939	4,320,245
1940	3,751,295
1941	6,383,549
1942	8,379,840
1943	8,959,196
1944	12,472,236*

*Includes $5,505,356.47 of Delinquent Second Class Railroad Taxes collected during 1944.

Since 1936 $26,282,517 of Cash Surplus was used as Revenue in the budgets of 1936 to 1945, inclusive, for the purposes of reducing the tax levies during those years.

DEBT REDUCTION

By December 31, 1945, the City of Jersey City will have reduced its Net Public Debt $31,256,604, or 43.9%, since January 1, 1936.

	January 1, 1936	*December 31, 1945*
General and School	$62,763,564	$38,798,510
Water	15,200,255	11,495,000
Total Outstanding	$77,963,819	$50,293,510
Less: Sinking Fund Assets	6,790,705	10,377,000
Net Public Debt	$71,173,114	$39,916,510

NO BORROWING FOR RELIEF SINCE 1936
NO TEMPORARY INDEBTEDNESS

THE BOARD OF COMMISSIONERS
JERSEY CITY, NEW JERSEY
FRANK HAGUE, Mayor

May 1, 1945 *Population 1940 Census 301,173*

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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

The Seventh War Loan Drive starts May 14, 1945 and will run until June 30, 1945. The total goal is $14,000,000,000, which is the same as the goal of the Sixth drive which ran from Nov. 20th to Dec. 16, 1944.

There is more emphasis this time, however, on individual investors, who are expected to take $7,000,000,000 compared with $5,000,000,000, in the last drive. Furthermore, a very definite attempt will be made by the Treasury to assure the Seventh War Loan's being as non-inflationary as possible, with a minimum of bank credit expansion. Consequently, limitations have been placed upon the part that commercial banks may play.

It is of interest to review briefly the provisions of the previous drives as to commercial banks. In the first two drives during December, 1942, and the spring of 1943, offerings were made to commercial banks as well as to non-banking groups. In the third drive, commercial banks were excluded during the drive, but received separate offers after the close of the drive. During the three 1944 drives the banks were not permitted to subscribe directly to any of the issues of new money, except for regular offerings of Treasury bills and limited subscriptions *concurrent* with the drives, but not part of them.

Despite these limitations, the holdings of Governments by the banking system continued to increase through purchases in the bond market and direct purchases from corporations and individuals who had subscribed during the drives.

The following table shows some of the principal data on the seven loan drives:

War Loan Drive—	—Period—		Goal	Total Sales	Non-Bank Investors	Commercial Banks
				(Millions of Dollars)		
First	11-30-1942	12-23-1942	$9,000	$12,947	$7,860	$5,087
Second	4-12-1943	5- 1-1943	13,000	18,555	13,476	5,079
Third	9- 9-1943	10- 2-1943	15,000	18,944	18,944	----
Fourth	1-18-1944	2-15-1944	14,000	16,730	16,730	----
Fifth	6-12-1944	7- 8-1944	16,000	20,600	20,600	----
Sixth	11-20-1944	12-16-1944	14,000	21,600	21,600	----
Seventh	5-14-1945	6-30-1945	14,000	----	----	----

In the Seventh Drive, the commercial banks may not subscribe directly to any of the issues, moreover, the number of issues that they may purchase after the drive has been reduced, and other restrictions have been imposed. For example, they will not be permitted to own the 2¼% and 2½% bonds offered in this drive until within ten years of their maturity dates. However, they will be permitted to subscribe in limited amounts to the Series F and G savings bonds, the 1½% bonds and the ⅞% certficates *concurrently* with the drive but not as part of it. Many of the changes in the Seventh War Loan have been made in order to discourage the resale of large amounts of Governments from non-bank investors to the commercial banks. It is believed, for instance, that elimination from this drive of the unrestricted 2% bonds will be an important factor in reducing future resales to banks, since these were particularly popular for this purpose. The market premium on the 1½% unrestricted bonds will be smaller and should tend to discourage the so-called "free-rider."

The only unrestricted issues in the Seventh Drive are the ⅞% one-year certificates, for corporate non-bank investors, and the 1½% 5½-year bonds, for individual investors. The Treasury believes that these issues are less likely to be shifted to the banks in large amounts after the drive.

The Treasury has requested the commercial banks not to make loans in this drive for the speculative purchase of Government Securities, and not to purchase from customers outstanding issues in order to facilitate subscriptions to the new issues. The Treasury is in favor, however, of the banks' making loans to bona fide customers who desire to make permanent investments in the new securities.

It is of interest at this point to show the increase in the holdings of Governments by commercial banks which has accompanied heretofore each and every war loan drive. For purpose of illustration the weekly figures of the Federal Reserve Member Banks for New York City are cited.

War Loan	Total U. S. Government Securities Held: Week Before Drive	Week After Drive
First	$10,129,000,000	$11,611,000,000
Second	11,667,000,000	12,727,000,000
Third	12,600,000,000	13,297,000,000
Fourth	13,177,000,000	14,038,000,000
Fifth	13,194,000,000	14,872,000,000
Sixth	13,718,000,000	15,314,000,000

The latest figure reported is $14,586,000,000 for April 25, 1945.

The restrictions in the new drive will undoubtedly slow up the rate of expansion of Governments in the portfolios of the commercial banks, which is desirable because it serves to dampen inflationary forces. Already the commercial banks hold approximately 33% of the Government's total interest-bearing debt. However, it seems likely that, as individuals and corporations need cash, they will continue to look to the banks to relieve them of their Governments, and thus the volume of the banks' holdings will tend to creep up, despite the limitations.

From another point of view, a slow-up in the rate of increase in the earnings of the banks at this stage may well be beneficial, since it may prevent them from becoming subject to the excess profits tax, which they have thus far avoided, and thus conserve their present high net earnings level for the time being.

In conclusion, it is important to note that a large proportion of the banks' Government security holdings are in relatively short-term issues, which are normally more stable in price than are the long-term bonds. The banks therefore will enter the post-war period in a liquid and flexible position, well able to meet demands for shifts in deposits and for the anticipated large demand for commercial and industrial loans. To this observer, the earnings' prospects of leading commercial banks for the early post-war years appear promising indeed.

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Nickel Plate Sells $58,000,000 Rfg. Liens

Halsey, Stuart & Co., Inc., and associates were the successful bidders April 26 for a new issue of $58,000,000 of refunding mortgage bonds of the New York, Chicago and St. Louis (Nickel Plate) RR. The syndicate received the award on its bid of 99.779 for a 3¼% coupon. Designated as series E bonds and due on June 1, 1980, the bonds were reoffered immediately at 101, subject to the approval of the Interstate Commerce Commission.

The Nickel Plate will use the proceeds, with treasury funds required, for the redemption, at 102 of its 4½%, Series C, refunding mortgage bonds, due in 1978, of which $59,875,000 is in the hands of the public.

The road will pay as a sinking fund, on Dec. 1, 1945, and semi-annually thereafter, a sum equal to ½ of 1% of the aggregate amount of Series E bonds theretofore issued and sold, but only out of income after fixed charges for the preceding calendar year. The sinking fund payments are cumulative, and the fund is calculated to retire about $19,500,000 of the bonds if all payments are made. Sinking fund redemption prices start at 101⅛%, and regular redemption prices being at 104⅜%.

The road, with the completion of this financing, will have reduced its non-equipment debt with the public by 35% since 1934, and the net reduction in total debt for the same period will be 29%.

Snyder Approved by Senate

The nomination of John W. Snyder, as Federal Loan Administrator, by President Truman was approved unanimously by the Senate Banking Committee on April 24.

The nomination of Mr. Snyder to this post was given in the April 19th issue on page 1735.

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Paid-Up Capital £8,780,000
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Reserve Liability of Prop.... 8,780,000
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Aggregate Assets 30th Sept., 1944 ....£208,627,093
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Friedman Favors Credit "Pools" for Small Business

(Continued from page 1941)

inated in 1933 and no substitute mechanism provided. The number of local investment dealers declined 45% in the decade 1935 to 1944. Therefore small and intermediate business cannot now easily get equity money. Besides, recent legislation on labor policy, taxation, and government regulation was more harmful to small business than to big business.

"The Government will not soon relax policies which are hurting small and intermediate business. New political conditions, created by legislation, require new financial machinery. Much searching resulted. Proposals have been made that the Government should aid, either by direct loans or by insuring bank loans, or by buying stock in small business. But Government aid risks taxpayers' money. Proposals have also been made that the commercial banks aid. But banks must be liquid and cannot lock up money in small business. Regional credit pools of banks are being organized. But banking aid to small business risks depositors' money is speculative enterprise.

Besides, small business is more heavily in debt than big business and suffers worse in a depression. It can easily borrow itself into bankruptcy even under present conditions.

"Risk money is needed for business ventures. Small and intermediate business needs equity capital. Local investment should be encouraged. Therefore it is necessary to mobilize trickles of small incomes into a special local financial company, organized to aid small and intermediate business. Such local finance company or investment pool will buy an interest in local business. It will be primarily a partner and not a creditor. Or a finance company could be organized to serve a particular industry. It might be either regional or nationwide. Such finance company, equity pool or holding corporation, whether serving a locality or an industry, would provide technical supervision and management, standardized accounting and financial aid or advice. The stock of the holding corporation would be offered publicly and would eventually be listed on some stock exchange and enjoy good marketability. Thereby, new money could be more easily raised for small business, which was hitherto excluded from the capital markets. The 'small business' holding company would give an expanding small business access to the reservoir of capital furnished by the public.

"To stimulate such equity interest, the Government must give tax relief. If such a financial company were formed now, then income from small business, under the present law, would be taxed three times, before the investor can use it: Once as corporate income of small business, second as income of the participating financial company and third as dividends of the individual stockholders of the financial company. Such income, however, should enjoy tax relief.

"1. After the small business has paid the corporate income tax, the financial company or investment pool should be exempt from a second corporation income tax, and

"2. The stockholders of the financial company should have their dividends exempted from the normal individual income tax. These are minimum requirements.

"3. In addition, these stockholders might also get partial exemption from the individual surtax rates.

"A small business should be taxed alike, whether in the form of proprietorship, partnership or corporation. An investor in a holding company to aid small business should not be punished by taxation, but be encouraged by tax relief.

"Congress, in the past, has given exemption in special situations. Bonds of the privately owned Joint Stock Land Banks are fully exempt from income tax, both normal and surtax, and the corporation itself is also exempt from corporation income tax. The regulated investment companies have special relief from onerous taxation. Why should not Congress give tax relief to small business and thus stimulate employment in small business. The total cost to the Treasury would be insignificant. Of course, if Congress eliminated double taxation of corporations, large as well as small, after the British method, there would be a stimulus to all business, large as well as small."

In speaking of tax policies with reference to small business, Mr. Friedman urged a change from income to expenditure taxation.

"The old formula about taxing according to the ability to pay is a false slogan," he asserted. "It is a stereotyped phrase, which sounds plausible, but at bottom is an illusion. The power to pay taxes is also capacity to employ workers. An excessive rate on high incomes is a tax on employment. . . . There should be a tax not on income, but on expenditure. A man that lives simply and works hard and puts the proceeds back into the community is a small but constructive and democratic WPA. He creates jobs. Practically the same purpose can be accomplished by exempting from taxation the income not spent but reinvested. Such reinvestment creates jobs and builds up capital funds. The inheritance tax takes care of the final accounting. Perhaps small business could be aided by granting partial exemption from tax on income and inheritance to such investors as become partners or stockholders in a small business."

In concluding his remarks, Mr. Friedman asserted that "in any event, small business would revive under the relief proposed. Whatever action is taken should be taken soon. We should encourage businessmen to reconvert to peace, to start new businesses, and to absorb returning veterans into industry. The best time is now."

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Tomorrow's Markets Walter Whyte Says—

(Continued from page 1960)

So now the subject of reasons comes up again. And now you can have a grand assortment to choose from. First you have the war, or rather the imminence of peace in Europe. Opinion is confused as to how stocks will act on an official German surrender. I have a hunch it will do little. Markets seldom discount the same thing twice.

* * *

Major market reasons can be discovered in the doings on the Pacific Coast. All we know, or at least what the papers and commentators play up, is the difficulties that appear between Russia and ourselves. Actually it goes way beyond any such surface manifestations. Stalin can't get a single thing from the Conference unless the Big Two, England and the U. S., want to give it to him.

* * *

When I sat down to write this prices pointed lower. Now they point up. Maybe two-three days from now they'll point down again. But based on present action I see no reason to disturb any positions unless stops are broken. What these stops are you can see in referring to last week's (April 26) column. It might even be profitable to buy some Walworth between 10 and 11 or a fraction beyond 11. Stop should be at 9.

* * *

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.]

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San Francisco Conference Tussles With Economic Problems

(Continued from first page)

problems are to be dealt with much later under administrative policy, probably by the Social and Economic Council after it has been established, following this Conference. . . . **In the opinion of Charles Taussig, who is the American delegation's expert working on the trade and general economic problems of trusteeship, our technique should eventually follow that laid out by the Anglo-American Caribbean Commission, of which he is Co-Chairman.** . . . This follows the main objectives of (1) extending responsibility for dependent areas from a single power, exercising administrative control, to the International Organization represented by Regional Commissions, and (2) bringing together dependent people, in regions where a community of interest or needs exists, to help each other. . . . The Regional Commissions would themselves be responsible to the new International Organization. . . .

* * * *

The political decisions on the trusteeship question are still in abeyance and, in the words of Dr. Wellington Koo, who is the Chinese expert on that committee, only the threshold of discussion has been reached. . . However, last Saturday evening, under the brilliant leadership of Governor Harold E. Stassen, the American delegation unanimously agreed on recommendations which it has presented to the other members of the Big Four. . . . **These will be discussed at a further exploratory session this evening when it is hoped that some of the basic disagreements will be compromised. . . .**

* * * *

The American proposals take into account: (1) The future security of the United States, (2) the security of the people involved in the territories, (3) the security of world peace, and (4) the disposition of resources of the lands involved. . . There are three kinds of territories involved in the problem: (1) Those under the old mandates; (2) those now being separated from enemy states; and (3) territories about to come voluntarily into the trusteeship system, with no indication at the present time where they are to be included. **. . . Also the problem of "backward" territories must be disposed of and, as Lord Cranborne, on behalf of the British delegation, so relevantly asks: "Where is the line to be drawn in defining a backward territory?"**. . .

* * * *

The National Association of Manufacturers is represented at the Conference as one of the invited consulting private organizations. . . . It is pressing for the enlargement of the Economic and Social Council, and for the spelling-out of definite functions for it to perform, along the following possible lines:

(1) To act as a repository of economic data;

(2) To call conventions for the making of customs rules, identification of names of goods, setting of trade standards; and

(3) To record international loans and the terms thereof, and to set up machinery for the settlement of disputes about them and performing the functions of the Foreign Bondholders Protective Committees. . . .

* * * *

The NAM wants these and other possible functions specificially stated, in lieu of the present vagueness about the Social and Economic Council. . . . **It is assuring the Conference that American business will wholeheartedly support and promote the new Organization's steps toward promoting sound objectives which are constructive and above all, defnite. . . .**

The NAM wants these and other possible functions specifically the Council to keep out of business—for example, such possible functions as commodity price and control programs. . . .

* * * *

These consulting private organizations are now meeting in a solid body together with State Department officials, irrespective of their varying interests. . . . Thus, matters affecting the NAM are discussed in the presence of representatives of women's clubs, the Foreign Policy Association, and all kinds of political pressure groups. . . . **It is understood that W. W. Cumberland, representing the NAM, put up a strong battle to have these liaison meetings segregated according to the respective organizations' particular field of interest. . . .** In overruling him and his supporters on this, the Conference authorities seem to give additional evidence that the calling-in of all these private organizations is merely a performance in public relations. . . .

* * * *

It is learned on the highest authority that the British definitely committed themselves to the crucially important veto-power provision at Yalta. . . . It was consummated as a compromise to bring the Russians into the Organization, the veto being considered a lesser evil than having the Russians out. . . . **At Yalta the Russians represented the veto right as a "symbol of respectability."** . . .

* * * *

In some quarters here it is felt that the extent of the reversal of Dumbarton Oaks caused by the veto power, is generally underestimated. . . . Dumbarton Oaks provided for the maintenance of large military forces for the instant suppression of aggression; but the Yalta veto compromise now unfortunately permits any of the great powers both to commit an act of aggression if it so chooses, and to veto action by the other powers to prevent such aggression. . . .

* * * *

One of the great problems before the designers of a real world organization is to forestall present tendencies toward building up alignments on a regional basis. . . . General Romulo and the Philippine delegation want a Pacific regional community. . . . Our South American good neighbor policy seems to conform to that technique. . . . Lord Cranborne favors regional arrangements, as a kind of second line of defense in case the world organization breaks down. . . . **And France wants to amend the Dumbarton Oaks charter to permit "automatic action" without consulting the Security Council, through regional pacts, when an aggression is committed. . . .**

* * * *

The grouping of nations into separate regions for purposes of ensuring national security creates a vicious circle, undermining a real international organization whose purpose is to assure the security of all nations. . . .

The creation of a new category of "middle powers" is another alteration of the Dumbarton Oaks Charter and concept which is ripe for early open discussion. . . . Favored by Great Britain, this would devise a separate group of nations like Canada, the Netherlands, Australia, and Brazil, having the power and the tenure on the Security Council somewhere between the permanent Great Powers and the rotating small nations on the Security Council. . . .

* * * *

Tomorrow has been designated as the last day for the submission of amendments to the Dumbarton Oaks proposals, the most definite and pertinent of which seem to be harbored by Australia, which contends that now is the time to perfect the Charter. . . . **This deadline may accelerate the Conference into the four-week period sought after by British Foreign Secretary Anthony Eden.** . . . The venerable General Jan Smuts of South Africa, has, behind the scenes, been another active instigator of prompt action, because of the bad psychological effects of a lengthily drawn-out talk fest. . . .

* * * *

As vigorously pointed out today by Prime Minister Smuts, a most important issue now emerging on the Conference agenda here is the status, both immediate and permanent, of the Social and Economic Council devised at Dumbarton Oaks. . . . The Council composes an important integral section of the World Organization Charter, but determination of its prospective technique of operation, the purview of its powers, and its relation to the General Assembly is still wide open. . . .

* * * *

The spokesmen of all the important nations have laid great emphasis on the economic phases of international cooperation. . . . For the British, this was stressed at great length by Clement Atlee and by Anthony Eden who said before a plenary session: **"But of equal importance with this (international machinery for settlement of political disputes) is the solution of economic problems which, if untended, can themselves sow the seeds of future war."** . . . Mr. Forde, of Australia's Labor Government, strongly demands that the Economic Council not only be a potent body with teeth, but also that it shall function in permanent session rather than take action in fits and starts. . . . He also urged that it actively back up labor standards and advance Social Security in pursuance to the Atlantic Charter. . . . Mr. Molotov and his Russian cohorts will of course, have their minds on social phases. . . . **The obligation to provide an abundant life for all has been stressed here by Prime Minister of Canada Mackenzie King.** . . . And Mr. Stettinius has stressed that the basic aim of the new World Organization is to expand on the previous and preliminary non-political International Conferences held in Atlantic City, Hot Springs, Bretton Woods and Chicago, in devising cooperative measures in agriculture, food, finance, aviation, and for general expansion of post-war economies. . . .

* * * *

From among those here who have been devoting thought to the nature of the operations of the Economic and Social Council, predictions range all the way from expectations by the British group of an active and definite functioning organization going into high gear immediately after this Conference closes, to prophecies that it will amount to no more than a glorified international chamber of commerce. . . .

* * * *

The main stumbling block in the way of the Council functioning with power, is the same as the basic overwhelming difficulty facing the Organization's Security Council—namely, unwillingness of the sovereign powers to give away their veto rights and other prerogatives, in deference to rule by majority voting as is proposed. . . . **Countries are even more unwilling to give a blank check to an international commission to make vital decisions on economic and social questions, than in the political sphere where sufficient objection is being encountered.** . . . Confirmation of this is already evidenced by the action of the rambunctious Mr. Molotov in his latest press conference, where, before embarking on his anti-Argentina outburst, he entered a lengthy objection to the International Labor Organization (designed for continuation in the Dumbarton Oaks charter) to represent trade unions. . . . The U.S.S.R. withdrew from the ILO at the time of the Finland controversy; and hence Mr. Molotov made his strong formal plea that the rival Trade Union Congress, which is in session in the adjacent city of Oakland, and of which the U.S.S.R. is a member, should be represented at this Conference in an advisory capacity. . . .

* * * *

The best authoritative opinion here holds that the Economic Council will function essentially as an advisory and coordinating body; that it will initiate conferences and conventions to deal with such matters as tariffs, communications, and raw materials; that its relation to the General Assembly will be one of liaison in lieu of operating under its direct aegis; and that it will not function in an administrative manner. . . .

* * * *

There also is the question of the relationship of individual commissions and other proposed bodies (e. g., Bretton Woods) to the Economic and Social Council and to the World Organization. . . .

* * * *

The basic principles of the International Labor Organization, and of the United Nations Food and Agriculture Organization, positively provide for working cooperation with the new International Organization. . . . And Bretton Woods also is definitely tied to the New Organization, and with public international organizations having specialized responsibilities in related field. . . . But it further provides that modification of Bretton Woods, necessitated by reasons of such cooperation, must be affected only by amendment to the Bretton Woods agreement, by three-fifths of the members having four-fifths of the total voting power. . . . The same arrangement for coöperation between the Bank for Reconstruction and Development and an International Monetary Organization is established through the fact that both are being promulgated by the same United Nations. . . .

* * * *

Assistant Secretary of the Treasury Harry White, fashioner of Bretton Woods, is busily engaged at this Conference. . . . Your correspondent discussed with him at length the relation of the Fund and the Bank to the World Organization, and the effect of this Conference's ultimate success or failure on the carrying-out of Bretton Woods. . . . **Mr. White feels that "the carrying-out of the Bretton Woods agreement, and the operations of the Fund and the Bank have no dependence whatever on the World Organization, either directly or in the contemplated Economic and Social Council, or on the**

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general operations of the Organization. . . . Hence, the fate of Bretton Woods in no way depends on the results here. . . . In fact any failure to achieve the desired political ends here makes the International Monetary System all the more indispensable." . . .

* * * *

The other important specific subsidiary for the aegis of the Economic and Social Council is the International Labor Organization. . . . There is unanimous agreement here that, irrespective of the Conference's success or failure, the Council is one body that is certain to function as a continuation of the long-existing ILO, either with or without the U.S.S.R.'s satisfaction with its coloration. . . .

* * * *

The factor of differing interpretations of the Bretton Woods provisions—particularly with respect to gold—among participants at this Conference, between Americans and foreigners, and intra-Britain as between Lord Keynes and Paul Einzig, was discussed here with Dr. White by your correspondent. . . . **His conclusion is as follows: "Whether the Fund actually represents the gold standard or not surely is not a main issue, is unimportant and without real significance. . . .** The practical point is that the proposed technique is effective in giving us the best possible parts of the old gold standard; which insured the stability of exchange rates, and preserved the convertibility of currencies. . . . It is akin to the old gold standard, being unlike it only in that internationally, ratios cannot be altered unilaterally, and that they can be altered with the approval of the Fund. . . . How one categories the Fund is only a matter of definition." . . . That it moves in the direction of the former U. S.-British-French Tri-Partite Agreement, with the addition of teeth, is also maintained by Mr. White. . . .

* * * *

Criticizing the opponents of the Bretton Woods Fund proposals who are pointing to evident differences in interpretation among some British authorities, Dr. White said: **"The attempt by some individuals in this country to convince people that there is a difference in point of view between England and the United States as to the nature of the contemplated operation in relation to gold, is difficult to understand and could be motivated only by the desire to confuse rather than explain." . . .**

* * * *

According to some of the British contingent here, it is necessary tactics on the part of the Bretton Woods proponents in England to stress the anti-gold interpretation because of the unwillingness of a majority of the British people to go on gold. . . .

The leaders of the opposition in England are Paul Einzig of the publicists, Robert Boothby of Parliament and Ernest Ablogh of the economists. . . . The latter is considered by the public to be taking a "highly technical line" with a division among economists in general similar to the situation here. . . .

* * * *

As to the general British population, the pro sentiment is more preponderant than here in the United States, as, of course, the "Santa Claus" objection does not exist there. . . .

* * * *

Paul Einzig and his followers are opposed to the Bretton Woods proposals because they are against sterling being tied up with any international instrument which prevents the manipulation of the currency in pursuance to changing internal needs. . . . Lord Keynes, of course, argues that some degree of stabilization and international cooperation is necessary. . . . **So here again in the field of finance, as in so many of the other problems up for disposal at this Conference, sovereignty is the crucial issue—the sovereignty of the pound. . . .**

* * * *

Bearing on objections of John Williams, Harvard economist, to the Monetary Fund as not dealing adequately with Britain's immediate post-war needs is the prediction of British journalists here, that in any eventuality, either with or without the Fund in existence, England will require large loans and will be negotiating therefor very shortly. . . .

* * * *

The Union of South Africa, the ten members of whose delegation travelled a full twenty thousand miles to attend the Conference, has of course been intensely interested in Bretton Woods and in the preceding Keynes and White proposals. . . . **They prefer the White and final Bretton Woods provisions to the original Keynes proposals, as more definitely ensuring the position of the country's gold mining industry. . . .** The Union is very happy over the prospect that now gold will at least remain the measure of value. . . . Whether or not the price thereof is varied, the Union believes that Bretton Woods will guarantee her gold-mining industry. . . .

* * * *

South Africa has experienced little inflaction. . . . Even throughout the war years there has been no government deficit, the budget being balanced through the raising of taxes, the holding-down of expenses, and the prosperity of its gold-mining industry. . . . **The South African pound has retained its relation to the British pound at par, while the Australian and British pounds have sold at a slight discount. . . .** Gold is 132 shillings per fine ounce, from which the Union definitely does not want to devalue, and will not agitate therefore even if England should. . . . After 1931 she followed England off gold, only after a two year interval and pursuant to the urging of General Smuts, who is the only survivor from Versailles Peace Parley in attendance at this Conference. . . .

* * * *

In answer to considerable criticism of San Francisco and the West Coast as the locale of the Conference, the following advantages are pointed out:

(1) The psychological effect regarding continued operations against Japan.

(2) Constructive results in overcoming traditional western isolationism.

(3) Giving the west a more responsible feeling in war participation.

(4) Our foreign visitors were shown, and impressed with, the wealth and vastness of our country, through their trans-continental journey. . . .

* * * *

Many of our foreign visitors, delegates and journalists, are quite amazed at the American ballyhoo and publicity techniques. . . . **The Klieg lights and never-ceasing battery of photographers at press conferences, as well as at the formal plenary sessions, and the ogling of Molotov's every gesture, surely surpasses the public fanaticism for Shirley Temple in the past, and for Frank Sinatra today. . . .** Particularly shocking to a European journalist was the action of a United States delegate, at a plenary session, in beckoning a photographer to accompany him across the aisle, and have him get into proper focus during his introduction to Mr. Molotov. . . .

* * * *

The radio coverage remains enormous. . . . One network, on the air from here only fifteen minutes a day, has fifteen speaking performers, plus five leg-workers getting material. . . .

* * * *

Up to date the Western Union has transmitted from the Conference an average of 266,000 words per day. . . .

* * * *

Kingsley Martin, the British "New Statesman" correspondent, is cabling his current conference story under the caption "The Horse-Fair Conference." . . . As he sees it, a shocking amount of trading via power-politics is going on. . . .

San Francisco Conference Takes Shape

Molotov Bombshells Burst Without Harm. Congress Admits Argentina, but Refuses to Seat Russian-Sponsored Lublin Government. Stettinius Elected Chairman of Important Steering Committee, Though by a Compromise Arrangement, Four Alternating Chairmen Representing Leading Nations Are Selected to Preside Over Plenary Sessions.

The Russian Commissar of Foreign Affairs, V. M. Molotov, head of the Russian delegation to the United Nations Conference, which opened in San Francisco on April 25, furnished the bulk of the fireworks that prevented the affair from becoming a routine gathering of delegates. Mr. Molotov at the first meeting arranged to select a permanent chairman, in opposition to the naming of Secretary of State Edward R. Stettinius, Jr., proposed that there be a rotation of this office among the heads of the leading delegations. As the result of this move, the Conference will have four chairmen to preside at plenary sessions. However, notwithstanding the opposition of Mr. Molotov, Secretary Stettinius was elected chairman of the powerful steering committee. Mr. Molotov also made his presence felt in subsequent actions of the Conference. Although the Conference agreed to give Russia three votes (as had been arranged at the Yalta Conference of the "Big Three") by admitting delegates from White Russia and the Ukraine, members of the Union of Soviet Socialist Republics, the effort to have delegates from the Russian sponsored Lublin Government of Poland admitted was rejected, due, undoubtedly, to the firm stand taken by Great Britain and the United States against the proposal on the ground that the Lublin Government had not been reorganized in accordance with the terms of the Yalta Agreement. Mr. Molotov has, however, continued his efforts to have the Polish Government represented, and withheld his approval of the admittance of Argentina unless the Lublin Government would be given the same privilege. He defended this move strongly at a press conference which he held and which lasted several hours. However, by a vote of 34 to 4, the Conference agreed to seat Argentina, despite the fact that Mr. Molotov carried his fight to the floor of the General Session, after Argentina's admittance had been acted upon favorably by two committees.

On April 30 the United States presented to Britain, Russia, China and France a proposal for creating international trusteeships over seized enemy territory and mandates left over from the old League of Nations.

The United States proposal was understood to have been made so that the United States would be able to retain complete control over captured Japanese air and naval bases.

A committee of the United States delegation, met with delegates of the other nations to discuss this question.

United States committee, selected to deal with the question, comprises Commander Harold Stassen, Assistant Secretary of War John J. McCloy, Assistant Secretary of the Navy Artemus Gates, Under Secretary of Interior Abe Fortas, Benjamin Gerig, Chief of the State Department's Division of Dependent Area Affairs, and Ralph Bunche, an assistant to Mr. Gerig.

N. Y. Community Trust Resources Up 49%

Resources of the New York Community Trust increased by 49% in 1944 to $15,871,557 at the year-end, compared with $10,658,918 at the close of 1943, according to the Trust's annual report published recently. It was the largest growth in one year and the largest holdings ever reported by any Community Trust.

Twelve new funds were established during the year with original capital of $4,559,103 and 12 previously created funds were enlarged by a total of $91,535. Appropriations of $558,746 to 188 charitable agencies in 22 states established a new high level of outpayments in 1944, comparing with $550,816 disbursed in 1943.

The influence of military activities was reflected in a variety of war-connected grants including $34,576 to the American Red Cross; $11,500 to the National War Fund; $2,000 to the Metropolitan Opera United Forces Fund; $4,950 for distributing musical instruments to service field units; and $2,000 for army overseas welfare purposes. Among other beneficiaries were the Salvation Army, $65,692; Community Service Society, $27,586; United Hospital Fund, $14,130; and Visiting Nurse Service, $40,218.

Sixty-nine funds are now represented within the Community Trust. Concerning the future of philanthropic foundations, the report stated:

"As the development of great family accumulations is progressively discouraged by tax levies that obviously will long prevail, the sources of supply that have crated the larger foundations will tend to produce only smaller ones and fewer."

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The Securities Salesman's Corner

By JOHN DUTTON

For quite a while we have been toying with the idea of putting down a few observations of our own regarding what we believe to be the artificial market conditions which have prevailed in the securities business for almost the past decade. We have not done so primarily because this column has been concerned with the merchandising and selling end of the securities business. We have also believed that it is not the prerogative of others to usurp the functions of professional economists and statisticians—and which this column admits having no claim to specialized experience in this field.

However, we do believe that other practical securities men, such as dealers and salesmen, also have some foundation of experience and study, upon which they too may have come to the same conclusions, regarding the kind of economic conditions which we believe now exist in this country. When we use the phrase "artificial market conditions" we do not infer that present markets are artificial. Markets are only a reflection of underlying factors. What we do believe, however, is that political and financial arrangements regarding our entire economy have created certain factors, which at this time have **influenced markets** to an extent that otherwise would not have transpired.

If we are correct in this assumption, **that many securities prices are out of line with reality,** then most definitely it is well for the dealer in securities to recognize the facts and be warned in advance of the possible repercussions that may lie ahead.

First, let us consider the effect upon security prices which has been brought about by Government fiscal policies affecting money rates. For years past our Government has operated at a loss. This loss has been financed through debts. Today, despite a national debt working nearer and nearer to the $300,000,000,000 mark, money rates on Government bonds are the lowest in history. This is an artificial condition that cannot prevail INDEFINITELY. If it does, all the history of mankind will be proven to be false. The way we view this entire subject, we'd rather bet on history than the manipulations of politicians.

The effect of these artificially controlled and manipulated money rates is well known to all students of the bond market. All high grade bonds are now selling at levels that reflect these low interest rates. HIGH GRADE INVESTMENT BONDS, BOTH CORPORATE AND MUNICIPAL, ARE NOW SELLING ON A YIELD BASIS THAT IS PROHIBITIVE, AS FAR AS CONCERNS THE INDIVIDUAL INVESTOR. The resulting effect of this condition, IS THAT INDIVIDUAL INVESTORS HAVE BEEN FORCED TO SEEK RETURNS UPON WHICH THEY COULD LIVE, BY BUYING SECOND AND THIRD GRADE SECURITIES. This subject in itself is so broad that a book could be written about it. For the purposes of proving our point, we will just make the statement and let it stand. Securities dealers and salesmen know by their own experiences that this, as Jimmy Durante would put it, "is the condition that prevails."

Secondly, let us look at present day tax laws. In the desire to raise revenues for the Government's huge expenditures, plus the politicians' urge to play up to the so-called "have nots," the taxation upon those in the higher income brackets has reached levels that make even a 4% to 5% taxable bond unattractive from an income standpoint. Here again investors have been forced by circumstances to look for securities that offer "price appreciation" opportunities. The demand for preferred stocks with accumulations, workout situations, reorganization securities, and out and out speculations, that are based primarily upon HOPES FOR A BIGGER AND BETTER WORLD IN THE POST-WAR ERA, has been accelerated far beyond anything approaching normal for this type of security.

All of this has forced securities men to follow the trend, OR SUFFER A LOSS OF BUSINESS THAT EVEN THE MOST CONSCIENTIOUS AMONG US WOULD FIND PROHIBITIVE. What the answer is to be, only the future can tell us. However, it is our point that securities dealers who now find that their customers' portfolios are becoming top-heavy with risk securities SHOULD STOP, LOOK, AND LISTEN. If anyone knows that you cannot get something for nothing, and that the tree never grows to the sky, IT IS THOSE OF US WHO MAKE OUR LIVING IN THE HARD, REALISTIC WORLD OF INVESTMENT AND SPECULATION. Today the public is avid for PROFIT. Greed is again in the saddle and it is riding hard and high. The public wants to gamble. It has found out that it has been possible to make huge profits during the past several years out of very speculative, low-grade situations. The dam has been built out of the political fixing of prices and of monetary and fiscal controls, and the ensuing backlog has been accumulating for many years—if the flood ever breaks it may even be uncontrollable for a time.

As far as protecting individual accounts from such a possibility is concerned, it is much easier to theorize than to accomplish. Even high grade securities can present hazards that at this point appear to be substantial. Speculative common stocks are not the only securities weighted with risk. The entire foundation of our economy is undermined with extraneous stresses and strains that can only be worked out by a gradual return to normal monetary and financial conditions. Whether or not we will have the leadership in governmental places to guide our people through the maze of difficulties and uncertainties which face this nation during the next ten years, lies within the realm of fate. To chart our possible pathway into the future would require both occult science and supernatural ability.

If you too, as a security dealer, broker or salesman, believe that this is a somewhat realistic appraisal of the general underlying situation which prevails regarding security prices in general at this time, then you will also agree that this is no time to close your eyes and believe that all is well in Denmark. You won't be sitting around taking advantage of the easier times which now exist in this business, but you will be on the alert to protect your own business and the welfare of your customers, as much as is possible within the scope of your own abilities.

No business is more volatile or uncertain than the securities business. Today the sun is shining, tomorrow there may be a storm. The droughts in this business can be long, hard and dry. Remember? That's why it's good business to keep our feet on the ground, make hay while we can, and keep our eye on the ball. We've got a long way to go before this great country of ours is "out of the woods." Let's do our best to help get it there, and saw wood.

Rep. Kunkel Finds British Indifferent About Bretton Woods

(Continued from first page)

The outstanding impression Mr. Kunkel brings home from Britain is that the British are quite confident they can handle their economic and social problems during the post-war years. They survived Dunkirk, they saw the threat of invasion pass, they licked the V-1 bomb, and felt sure they could take the V-2 bomb in their stride. So they are not fazed by the problem of blocked sterling, even though they have apprehensions as to the effects on the United Kingdom of events in this country and in Russia.

If the United States ratifies the Bretton Woods agreements, Mr. Kunkel told a representative of the "Commercial and Financial Chronicle," the British will also ratify them, but they are in no hurry about it. The British give evidence of no anxiety as to whether the United States should take action on Bretton Woods prior to the conclusion of the San Francisco Conference. If anything, Mr. Kunkel thinks, they would prefer to see us act on currency stabilization after that Conference. There is in Britain a substantial body of opinion which is very unenthusiastic about the proposed International Monetary Fund because of the conviction that it is too close to the gold standard. In general, the British are much more favorably inclined toward the proposed International Bank for Reconstruction and Development. Such sentiment as exists in Britain for the Fund and the Bank is based on the expectation that the countries with which Britain trades will use the resources of the new institution. The British do not expect themselves to draw very heavily on the Fund, and even less so on the Bank, if it is set up, because they are determined not to incur financial obligations requiring repayment. By implication, at least, they would be open to suggestions of lend-lease or similar grant-in-aid from this country.

The blocked sterling problem, i. e., the liquidation of the short-term balances accumulated in London during the war by Empire and other countries, the British are quite confident they can handle on a country-by-country basis, Mr. Kunkel found. Apparently there will be no rush about doing this. The United Kingdom will probably settle this problem by separate negotiations with India, Egypt, etc., and not by a general agreement extending the same arrangements to all. The special circumstances of each case will be taken into account.

The sterling balances are, in the immediate future, more likely to be increased than decreased, as suggested by the British-Swedish trade agreement. Unlike the Anglo-French agreement, which must be cleared up after 12 months, the Anglo-Swedish agreement gives to both parties mutual overdraft facilities for trade purposes not limited as to time or amount, Mr. Kunkel reports.

While the British would go along on the Bretton Woods program, if Congress approved it, it does not follow that they would accept any amendment we might offer. All would depend on how the British interests would be affected by the amendment. An amendment as innocuous as the CED proposal appears to be, Mr. Kunkel thinks the British would not reject. They are very anxious to retain our good will. In this spirit they are willing to take a gamble on Bretton Woods. Their *sine qua non* is the retention of their internal independence, their freedom to install the Beveridge Plan or any other scheme Parliament adopts. And, they insist, they must not be forced to give up exchange control as long as the retention thereof appears necessary to Britain's interests.

Fear that the Bretton Woods proposals might at some future time be disadvantageous to British interests, compelling the United Kingdom to end the existing exchange controls, is one basis of the opposition to the Fund influencing many in the United Kingdom, Mr. Kunkel added.

Regarding Canada, Congressman Kunkel stated that in that country there was a lively interest in having Great Britain and the United States in agreement on Bretton Woods and that official Canadian opinion strongly favors the International Fund.

There is still in England, Congressman Albert Rains (D.) of Alabama, who is also a member of the House Banking and Currency Committee and who is studying the reaction to the Bretton Woods agreements.

Although the House Banking and Currency Committee has not yet announced when it will close its hearings on the bill to approve the Bretton Woods Pact, it appears at the present time, as this correspondent sees it, that it will make a favorable report recommending approval of both the International Monetary Fund and the International Bank without amendments.

DIVIDEND NOTICES

THE FLINTKOTE COMPANY
30 Rockefeller Plaza
New York 20, N. Y.
May 2, 1945

Common Stock

A dividend of $.15 per share has been declared on the Common Stock of this corporation, payable on June 11, 1945 to stockholders of record at the close of business May 28, 1945. Checks will be mailed.

CLIFTON W. GREGG,
Vice President & Treasurer

Esso

The Board of Directors of the
STANDARD OIL COMPANY
(Incorporated in New Jersey)
has this day declared the following dividends on the capital stock, payable on June 12, 1945, to stockholders of record at close of business, three o'clock, P.M., May 15, 1945:

Regular semi-annual cash dividend of 50¢ per share; and

Extra cash dividend of 75¢ per share.

Checks will be mailed.

A. C. MINTON, Secretary

May 1, 1945

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND NO. 186
COMMON DIVIDEND NO. 150

A quarterly dividend of $1.50 per share on the Preferred Stock and a dividend of 20¢ per share on the no par value Common Stock have been declared, payable June 20, 1945, to stockholders of record at the close of business on May 23, 1945.

Checks will be mailed.

C. A. SANFORD, *Treasurer*

New York, April 25, 1945.

DIVIDEND NOTICES

THE ATLANTIC REFINING CO.

COMMON DIVIDEND NUMBER 159

At a meeting of the Board of Directors held April 30, 1945, a dividend of thirty-seven and one-half cents (37½c) per share was declared on the Common Stock of the Company, payable June 15, 1945, to stockholders of record at the close of business May 21, 1945. Checks will be mailed.

W. M. O'CONNOR
April 30, 1945 *Secretary*

Borden's

DIVIDEND No. 141

An interim dividend of forty cents (40¢) per share has been declared on the capital stock of *The Borden Company,* payable June 1, 1945, to stockholders of record at the close of business May 15, 1945.

E. L. NOETZEL
April 24, 1945 *Treasurer*

THE BUCKEYE PIPE LINE COMPANY
30 Broad Street
New York, April 26, 1945.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the capital stock without par value, payable June 15, 1945 to shareholders of record at the close of business May 25, 1945.

C. O. BELL, Secretary.

EATON MANUFACTURING COMPANY
Cleveland, Ohio

DIVIDEND NO. 81

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75c) per share on the outstanding common stock of the Company, payable May 25, 1945, to shareholders of record at the close of business May 8, 1945.

April 27, 1945

H. C. STUESSY,
Secretary & Treasurer

WOODALL INDUSTRIES, INC.

A dividend of 15c per share on the Common Stock has been declared, payable June 15, 1945, to stockholders of record June 1, 1945.

M. E. GRIFFIN,
Secretary-Treasurer.

Issues Survey of Community Trusts

The aggregate resources of community trusts in the United States and Canada rose to $67,041,684 at the end of 1944, compared with $57,135,194 at the close of 1943 according to a survey summary published on April 15 by the New York Community Trust. The growth during the year was the largest ever registered by these composite charitable trusts.

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League Publication Stresses Inflation Danger in Aiming at High Employment

In Report of Post-War Economic Stability It Also Points Out Taxation Deterrents to Investment Risks and the Importance of Capital Exports and Foreign Investment. Holds First Essential of All Sound Anti-Depression Policies is a Balanced Economic System.

A 320-page report entitled **Economic Stability in the Post-War World,** is being issued today by the League of Nations through Columbia University Press, in time for the forthcoming discussion at San Francisco concerning the international economic organization of the future.

It is the fruit of prolonged study by a distinguished body of experts, the Delegation on Economic Depressions, appointed by the Council of the League of Nations in 1938. Since the death of Sir Frederick Phillips of the British Treasury the Delegation has been under the chairmanship of Winfield W. Riefler, former United States Minister in London.

The report deals with the vital problem of how economic stability and the fullest possible employment of labor and of productive resources can best be insured when these resources have been re-adapted to peace-time requirements. The more immediate problems of the transition period were the subject of an earlier study, under the title of **The Transition from War to Peace Economy,** which has aroused attention all over the world. In both reports emphasis has been laid on the international character of economic depressions, and consequently on the need for international action if the dangers to the post-war world economy are to be surmounted. Proposals are put forward concerning the international machinery that would seem to be required.

The report, which is one of 1945's most important documents, is divided into two sections. The first gives a general description of the nature and mechanism of depressions; the second, which ends with a chapter of conclusions, is concerned with policies for securing a high and stable level of employment throughout the world.

Insistence on the international nature of depressions and the need for international action to overcome them is the main theme of the report.

The material covered in the document comprises a wide range, extending from a consideration of the nature of depressions to the interrelationships and dovetailing of world-wide and international economic policies and programs. The chapters dealing with private investment, foreign investment and credit policies, in relation to depressions and expanded employment are particularly interesting. Regarding the importance of private investment, the report states that "the flow of private investment is the main cause of instability of national income in industrially developed countries. The volume of private investment fluctuates more widely between periods of prosperity and depression than any other part of the national income. In so doing it generates changes in total income leading to fluctuations in expenditure on consumption goods and services. Clearly the first aim should be to reduce the fluctuations in private investment themselves, since this would promote security of employment in the same job."

As to the effect of taxation on investment and risk bearing, the report states it is an "important factor influencing both the cost of financing investment and the willingness to undertake investment, particularly in times of depression when the business horizon is cloudy."

"The great dynamic force," it adds, "lying behind the industrial progress of the nineteenth, and in most countries of the twentieth century has been the willingness of the entrepreneur to take risks. All new enterprise involves risk and requires a spirit of adventure. Many of the greatest undertakings in existence today began owing to the foresight and initiative of a single individual and his freedom to expand his business from small beginnings by re-investing his savings in it. Others have depended on relatively small individual contributions of capital by persons who were willing to venture a part of their capital on the chance of a large return and with the risk of a complete loss of that part. The highly geared taxation of recent years has, however, tended to dry up what was the most important source of risk capital, namely, large private incomes. Persons with more moderate incomes are not in a position to provide this type of capital and new types of financial institutions may have to be developed to help fill this gap.

"In some countries certain forms of taxation have accentuated the unwillingness to undertake risky investments. High income and capital gains taxes reduce the reward in the case of success with no corresponding compensation in case of failure. Moreover, when to personal income taxes are added corporation taxes, a form of domestic double taxation is created which, when rates are high, so reduces the prospect of profit as to constitute a serious deterrent to enterprise. When the State is compelled to drain off any large proportion of the national income by means of direct taxes, it may prove impossible to avoid such double taxation altogether, for the total abolition of corporation taxes is likely in such cases to render an increase in personal income taxes unavoidable. But high taxes on the profits of industry not only check enterprise, but have the further disadvantage of causing an inducement to finance by debentures, that is, by debt, rather than by equity."

As to foreign investment, the report states that "this method of increasing employment differs from those depending on domestic expenditure, because of its effects on other countries. Whereas an increase in employment due to domestic investment renders the balance of payments of other countries more positive and stimulates employment in these countries, an increase due to an export surplus may have precisely the opposite effect. This does not mean, however, that an export surplus on current account is necessarily harmful to other countries. On the contrary, if it permits of additional investment in those countries, it may be extremely beneficial. This is particularly true of under-developed countries which wish to develop their resources; for such countries are likely to have a deficiency rather than an excess of savings in relation to investment opportunities. In this situation an import surplus on current account is to be welcomed as relieving poverty and accelerating development, rather than feared as a source of unemployment.. But an import surplus has to be paid for, and as gold and foreign exchange reserves are usually very limited in under-developed countries, it can only be maintained by capital imports."

"Foreign lending allows the lender to maintain an export surplus which helps to offset excess savings and stimulate employment, and the corresponding import surplus in the borrowing country enables resources to be developed more rapidly or with less sacrifice of current living standards.. . . . An increase in the exports of capital goods by industrialized countries when their own domestic demand for such goods is temporarily satisfied constitutes indeed the most direct and satisfactory method of maintaining employment and preventing a depression from spreading from the mechanical and heavy industries throughout the whole economy. By this means plants could be kept running, labor shifts would be avoided and the importers of these capital goods should be able to acquire them at favorable prices owing to the slackness of demand for them in the producing countries. Moreover, if by this means employment is maintained in the producing countries, the demand of these countries for crude products from the rest of the world would remain active and the threatened depression would spread neither internally nor overseas."

Considering the question of government action in an anti-depression program, it is stated:

"Governments can help by creating a balanced economic system, and indeed this is the first essential of all sound anti-depression policies. We have in mind the creation of conditions in which demand is buttressed against the storm by adequate social insurance; in which the basic needs of all classes of people are always satisfied to the extent that productive resources permit; in which the income of the less-privileged groups is increased by increasing their efficiency and their opportunities and by affording facilities for the investment of their savings; in which forms of taxation likely seriously to impede enterprise are avoided; in which information is furnished about current economic conditions adequate for the formulation of sound policies by the entrepreneur. The government may intervene, moreover, should unemployment occur, with a view to improving the chances of private enterprise, or offsetting a fall in private demand."

SEC Surveys Decade Of Its Activities

With its tenth annual report of developments of the fiscal year ended June 30, 1944, the Securities and Exchange Commission has submitted to Congress a survey of its activities for the full decade of its existence since 1934, the Associated Press reports from Washington, April 27, and adds that the survey stated that "a higher standard of ethics in the handling of other people's money" exists as a result of the SEC's administration of six statutes intrusted to it in the ten-year period. The statutes referred to are the Securities Act of 1933, the Securities Exchange Act of 1934, Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940.

Of the administration of the Public Utility Holding Company Act, under which 53 holding company systems with consolidated assets of nearly $16,000,000,000 are registered, the commission reports, according to the Associated Press:

"Complex capital structures are being replaced by simple capital structures. Holding company debts are being paid off, risky holding company preferred stocks with their huge accumulations of dividend arrearages are being converted to common stock so as to permit once again a flow of income to the security holders."

The following statistics for the ten-year period, the Associated Press states, are included in the survey:

Registration statements under the Securities Act totaled 4,337 and covered $25,345,393,000 of securities with 221 statements aggregating $1,759,700,000 filed within the year ended June 30, 1944.

A total of $118,588,393,000 in stocks and $21,478,630,000 in bonds was traded on 19 registered stock exchanges.

About 4,364 brokers were registered under the Securities Exchange Act and 213 registrations were revoked, suspended or denied for violations.

The Commission enjoined 1,057 firms and individuals for violations and indicted 2,316 defendants. Of these, 1,100 were convicted. The SEC violations filed include the names of 44,399 persons.

Bank Examiners to See Philippine Institutions

Honorable Jaime Hernandez, Secretary of Finance of the Philippine Commonwealth, announced on April 18 that two American bank examiners will leave soon for the Philipines to examine the accounts, business affairs and resources of the closed banks there.

This is in line with President Sergio Osmena's desire that the banks be reopened for business at the earliest possible date. President Osmena issued an executive order closing the banks when he entered Manila in order that competent and experienced examiners might be dispatched to investigate the accounts after three years of Japanese occupation.

This mission has been assigned to Mr. Glenn M. Goodman of the Federal Reserve System and Mr. Morrison G. Tucker formerly of the Federal Deposit Insurance Corporation, who are well qualified with their many years of banking experience, to undertake this important work. Their examinations will reveal which banks will have to remain closed and which can be opened for business transactions.

Methods of Disposal of War Housing Surplus

Methods of disposing of government-owned war housing that becomes surplus to war needs were announced on Apr. 28 by Philip M. Klutznick, Commissioner of the Federal Public Housing Authority.

The National Housing Agency has been designated by the Surplus Property Board as disposal agency to handle the sale of surplus housing property and facilities, and has assigned disposal responsibility to its constituent unit, the Federal Public Housing Authority. The disposition plans, based on policies adopted by the National Housing Agency, will affect the bulk of more than 200,000 publicly financed **permanent** family dwellings, including demountables, which will become surplus either during or after the war. They also cover the disposal of most of the temporary housing declared surplus during the war.

No housing of any type will be declared surplus, Commissioner Klutznick said, if it is needed for war purposes, including the re-use of demountable or temporary housing in other war localities.

This announcement is not to be construed as an offer to sell or as an offer to buy the securities herein mentioned. The offering is made only by the prospectus.

85,500 Shares

Aircraft Radio Corporation

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Price $11 per share

Copies of the prospectus may be obtained from the undersigned only in states in which the undersigned is qualified to act as a dealer in securities and in which the prospectus may legally be distributed.

F. EBERSTADT & CO.

May 3, 1945.

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Stabilizing Construction

(Continued from page 1942)

reduction alone can now be used to do the job.

But to use tax reduction alone as an instrument of fiscal policy might involve untried delegation of power to change tax rates, substantial changes in the relations of national and local government, and considerable shifts in the incidence of tax burdens. Except to avoid flagrant waste and inefficiency, we should not depend on tax reduction alone as an instrument of fiscal policy. On the contrary, we should use the appropriate measures both of taxation and of expenditure to reach the goal of sound fiscal policy with high employment. And on the expenditure side, the most promising items for fiscal policy are those included under the broad headings of "public works" and "conservation."

Public Works

Public works planners have always been fascinated by the great monuments of antiquity and of the Middle Ages. The palaces of Assyria, the pyramids of Egypt, the highways and aqueducts of Rome, the cathedrals of Europe, all represent the ideal public project for which it seems so difficult to invent the contemporary parallel. These works seem to have been accepted by the community as worthy objects of effort, they were vast in scale relative to their times, and they created no awkward product that would have to be sold in the market place. Work on these monumental projects extended off and on over generations of time, and required the application of hundreds of millions of man-hours to complete—if indeed any of them were ever truly completed.

During the Twenties, the Government taught us to believe that public works might be used to help even out the business cycle. But during the depression of the Thirties, we came to have a profound disillusionment with respect to the use of public works as a means of sustaining business activity. When the breakdown came in 1929, nothing of a practical nature had been done to make it possible to put such an idea into action.

In the spring of 1933, in what was thought to be a bold attempt to produce recovery, an appropriation of $3,300,000,000 was made for public works as part of the National Recovery Act of 1933. By the fall of 1933, it became apparent that public works could not be started merely by appropriating money. Public works require long and detailed planning, legal investigations, site acquisition, and, in many cases, enabling legislation by State and local governments. To meet the urgent need for employment, the Civil Works Administration was hastily put together late in 1933 and this was followed by the Works Progress Administration and later by the Work Projects Administration. Many projects, devised in desperate haste to provide work of some kind for unemployed talent at particular locations were subjected to public ridicule and abuse. The program was admittedly "public work" rather than "public works." Although many of the undertakings could meet the test of necessity and desirability, they broke down on the test of efficiency and reasonable cost.

The idea of using standard public works as a way of supporting purchasing power in time of depression had failed. The record of Federal public works as a means of overcoming a depression was a disappointing one. It was disappointing because we had been led to expect too much, and because, during the years preceding the depression the necessary preparatory work had not been done. Our disappointment should not cause us to reject the use of public works as one of the means of supporting the level of private business, but it should make us revise our expectations and improve our planning and scheduling.

Lessons of the Thirties

The experience of the 1930's with public works taught us many things. First of all, it taught us that the scale on which public works must be pressed in order to do any substantial good in a period of unemployment is vastly greater than we had been led to believe. Indeed, it is so vast that the use of public works as a means of stabilizing the whole economy through the phases of the business cycle must be abandoned. The most we should expect—and this is no small gain—is that we may be able with public works and conservation to stabilize the construction industry itself, so that it would have a more even level of activity throughout the year and over the years.

In addition to magnitude and administrative difficulties, there is another reason for abandoning the idea of using public works as a general cure-all for the business cycle. This other reason is the human undesirability of bringing hundreds of thousands of men into the construction industry and forcing them out again as an offset to the free play of economic forces elsewhere in the business system. These men are not statistical units which can be properly moved from one column to an accounting sheet to another in order to preserve a balanced level of employment. Nor can they be shifted long distances from their homes to places and at times convenient to the business cycle.

These considerations lead us to the conclusion that we should attempt this stabilization not only for the country as a whole, but also regionally. The full requirements of stability will not have been met unless the overwhelming majority of the workers in the construction industry are able to spend at least two days a week at home every week. This means that the planning and scheduling of public works must be both in financial and geographic terms.

What level of employment in the construction industry should we set as a full-time normal for a long-time program? The suggestion has been made that we might take as a rough standard the average rebuilding of our physical plant once a generation, say once in 30 years. This suggestion has the appeal of picturing each new generation turning over to the next generation new, modern structures instead of old, outmoded houses, schools, and factories. Another suggestion is that past experience would validate a level of between 15 and 18 billion dollars a year at present price levels.

Level of Construction Stability

The precise level around which we should direct our efforts toward reasonable stabilization of the industry is less important in some ways than the acceptance of the policy itself. Decision as to level, whether in terms of dollars or of men employed, is a matter of public policy. It will be decided after considering such questions as how much of our product we wish to put into brick and mortar, what the requirements of the people for physical plant may be, how rapidly we wish to restore the national domain, and the present and prospective efficiency of the industry.

But it is important to have some such standard, not only as a basis for advanced planning, but also to indicate how far we ought to go in bringing forward the scheduling of public works at times when private demand is extremely high. It is likely that immediately following the war and for some years thereafter, we shall have a considerable boom in private, residential building. It may well be that this boom, together with industrial demands and public works which cannot be postponed will be more than sufficient to carry the construction industry beyond the level that we may have agreed we would maintain as a long-time standard normal. If this should happen, and if at the same time there should be a substantial amount of unemployment, there would be a temptation to accelerate postponable public works, even though a full quota in the construction industry had already been reached. Barring local situations and public works and conservation projects urgently needed for public safety and welfare, it would be wiser to hold back public works in spite of the presence of some unemployment. There are other effective weapons which can be used to fight unemployment and it would only make the business outlook worse to create so high a level of employment in the construction industry that it could not be maintained, a level that would say to all who could hear, "Crisis ahead!"

A second lesson which has been learned as a result of the experience of the 1930's, is that the public will not tolerate expenditure by the Government that it believes to be wasteful. Leaf-raking and boondoggling are condemned by public opinion and even the inefficiency which results from the employment of the incompetent unemployed, or from the failure to use known labor-saving equipment is frowned upon. The public rejects the sophisticated rationalization that some purchasing power is better than none at all. The argument that public boondoggling is neither better nor worse than private boondoggling is to no avail. The people will not accept wasteful public expenditure as an element in fiscal policy, nor will they approve the subsidy of projects which have not been recognized as suitable for public governmental support.

The insight of the people in this respect is sound. It is obvious that wasteful effort at public expense is done at a social cost. The justification that had the labor been unemployed, nothing at all would be produced is unconvincing. Even though the waste be less, it is still undesirable.

The governmental agencies in charge of public works have always been sensitive to public opposition to wasteful expenditure. Projects conceived and administered primarily to provide work for particular groups of the unemployed were segregated in special, temporary agencies such as the WPA, the CCC, and the NYA. This segregation of what was known to be more or less wasteful work enabled the public works agency to confine its projects to items which could be justified on grounds of merit and efficiency.

Advance Planning Required

There is another reason why the purpose, scope, and scale of public works programming should be under public discussion. It is desirable that the public should appreciate the magnitude of the program, and should approve the policy well in advance of the time when detailed operations will have to begin. Only in this way can true economy of expenditure be attained. The magnitude of any construction stabilization program over a period of 20 years would make possible dramatic changes in our national physical plant. Unless there is some comprehensive concept of what is attainable, there will be great waste through the undertaking of thousands of unrelated, efficient details. This is not a justification for a formalized, unified, and imposed national public works strait-jacket into which the future public construction of the country will be tied. It is simply an observation that the whole is greater than its parts, and that many a poor cake has been made from worthy ingredients.

The construction industry is greatly involved in public works expenditures, no matter what our policy on public works may be, and the construction industry is a costly and wasteful industry.

The reasons are not hard to find. Every phase of the industry is subject to the feasts and famines of seasonal and cyclical demand. The circumstances which cause one family to decide to build a house, cause thousands to decide the same way at the same time. The circumstances which result in a profitable outlook for the building of a factory by one company will simultaneously affect thousands of companies. On the other hand, when families and businesses cannot or do not wish to build, broad, general, causative factors are at work which create depression for the construction industry.

The private construction industry has tried to adapt its practices so that the several elements of the industry could survive under these adverse conditions. Architects, building contractors, building supply companies, labor, finance and mortgage companies, all found it necessary—each in its own way—to establish and to hold a price structure high enough so that the days and hours of activity would pay for the time when there was little or nothing to do.

This kind of pricing, though necessary for survival, presents some difficulties. In the first place, it takes the cost of idle time and adds it to the cost of active time so that the active time carries a heavy total expense. In the second place, no such price schedule can be maintained unless outsiders are kept from coming into the industry, and unless insiders understand more or less specifically what the rules of the game are and it is made "convenient" to follow them.

Restrictive Practices in Construction Industry

The reasons why restrictive practices spring up in so volatile an industry as construction are easy to understand. In periods of activity, prices are well above actual expenses at the moment, and an outside interest, whether contractor or worker, will be well satisfied to take a narrower margin for the short run, or to deliver a full day's work, or otherwise by competition to take income from an established member of the industry. The days of famine in the industry are supported by these days of feast, and the banquet when it comes must be reserved for the homefolks, not for the minstrel who will sing for his supper and then wander on.

In the low period of the business cycle, in periods of dullness, there is always some small amount of construction which has to be done, and now the insiders must be held in line. Naturally, every element in the industry would prefer some little income to none at all, and active bidding for the business at lower prices might be expected. But this cannot be permitted. The price scedule must be kept up in order to make sure that when the activity comes again the income then received will be sufficient to provide a little more than a break-even for busy and idle time taken as a whole.

It is not necessary to recite in specific detail the restrictive practices for which the construction industry is notorious. All these practices spring from a common need, to make sure that the scale of prices obtained when there is work to do is sufficient to pay for the idle time too. The high schedule of prices is forced higher still by the uncertainty of how long the periods of idleness will be. A retailer knows that spring and winter come every year, and therefore he can figure his annual costs. In construction, who knows how long a boom may last or when it may come again?

The restrictive measures in the industry are in many cases ingenious, in some cases illegal, in all cases for the purposes of price maintenance and the control of competition. In spite of extenuating circumstance, it is unwholesome in the national interest to go along indefinitely with an industry which for its own survival has to have a considerable element of the outlaw in it. As long as illegal practices are condoned on the front of restrictive and collusive rules, they will be excused wherever they can be exploited to make a profit or to fortify a power position. Toleration of illegal practices leads to a special kind of cooperation between government, labor and business—the cost of which is paid for by the consumer-citizen, both in high prices and in the corruption of his government.

The Place of Private Enterprise

We must never forget that the bulk of construction over a period of time arises from private demand and that the greater the proportion of private demand, the healthier the industry will be. Optional public works should be looked to only as a balancing factor, not as the main source of demand for construction.

Therefore, with these considerations in mind, the stabilization of the construction industry through the planned timing of public works can be confidently expected to yield important benefits. First of all, stability of employment should eliminate the uncertainties and fears which make the industry irresponsible, always fighting for its life. Second, construction costs should fall sharply and the earnings of workers and the profits of contractors should increase. Third, the total public construction program could be well planned. Certainly a stabilized industry would produce a vastly greater quantity of construction output and, over a period of time, would change in a fundamental way the structural American environment. Obsolete buildings could not stand before the march of an efficient construction industry.

But here we come to a real difficulty. It is impossible to justify large public expenditures today to support the construction industry at a high stabilized level so long as it operates under existing restrictive practices. Nor is it likely that the construction industry at a high stabilized level as tive. Indeed, a firm commitment on the part of the Federal Government to see that a high level of construction is held throughout the year and over the years would tempt into the industry a new following which, to be sure, would leave the industry on a stabilized level, but still with all elements only partially employed and with costs as high as ever. The government and the private consumer would still not be getting their money's worth since the industry would still be pricing for idle time.

Congressional Investigation Needed

As you know, it is my opinion that a program for stabilizing the construction industry through the use of public works should be accompanied by a Congressional investigation of the industry with recommendations that would result in its reorganization. Such an investigation should be of the same dignity and competence as that of the National Monetary Commission following which the Federal Reserve System was established. If it should be found that the industry requires certain immunities under the Sherman Act and State anti-trust laws, it should be subjected to corresponding regulation. If some of the restrictive practices of the industry should be continued, even under high stabilized production, these practices should be sanctioned by law and supervised by an appropriate regulatory body.

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The construction industry stabilized by public works expenditures and regulated by a government agency would be a different industry from what it is today. It would still be competitive, just as the radio or the banks or the airlines are competitive; it is possible that the industry would be even more competitive than it is today. The dominant factors in the industry would turn to innovations and economies as their way of bidding for a larger section of the construction pie, and since under these circumstances a larger pie is assured, who will complain if the quality is improved?

An industry that is looked to for at least 38% of the national product is certainly a matter of national concern, particularly when the industry does not appear to be able to stabilize itself without resorting to inefficient, restrictive practices which increase costs, postpone innovations, and introduce elements of lawlessness into the industry. When, added to these considerations, the industry is indispensable as a source of essential public works, of housing and transportation, and as an outlet for the investment of the people's savings; when it is to be the beneficiary of billions of dollars of planned public expenditures over the years, it is certainly discussable that the industry should have a quasi-public utility status. In any case, the industry should be given a chance under the law to reorganize for the most efficient service to the community as a private, competitive construction industry.

It may well be that the 1940's will be the decade of the construction industry, the period when it grew out of unregulated anarchy into an orderly pattern of effective competition. Just as the railroads in the 1880's, the banks in the 1900's, and the Security Exchanges in the 1930's were reorganized and regulated in the public interest, so the pattern of the construction industry may be redrawn in the years immediately ahead—a pattern that will give stability and order to the industry, efficiency and lowered-cost construction to the public, and sound public works programming to the Federal Government.

Now is a particularly good time for a Congressional inquiry into the needs of the construction industry. There is no nation-wide scandal to obscure real problems and result in distorted legislation. Further, the period immediately following the war will probably see the industry in a fairly healthy condition as far as demand is concerned. During this period the investigation could go on without the presence of crisis in the industry forcing premature judgments.

The suggestion for a Congressional inquiry into the construction industry should not be used as an excuse for delay in the preparation of detailed plans and specifications for Federal, State, and municipal public works. Experience teaches us that the practical circumstances of getting work under way make it desirable to have plenty ready to do. If a commission of inquiry should be appointed, its report would be many months in preparation at best. Nor is it likely that action would be taken on such a report after it was issued until after much debate, discussion and popular education. In spite of great potential long-time benefits, we must recognize, I think, that such a commission will be of little practical value in the immediate post-war period; and public and private construction will have to accommodate their plans to each other as best they can. But in any case, the more good plans we have ready, the better all around.

This suggestion for a Congressional inquiry into the construction industry, which I first made a little more than a year ago, has had a mixed and indifferent reception by the industry. A few have told me privately that they thought it was a good idea but that nothing would happen until it was too late. The "Wall Street Journal" is against it on the grounds that it would be a step toward regimentation and objectionable government control. Marion Hedges, the Director of Research of the International Brotherhood of Electrical Workers, also questions the desirability of such a Congressional inquiry. He fears that this is a proposal "for centralized control principally by persons who know little or nothing about the industry." He concedes "that members of the industry would like to see the industry treated with dignity" and "this cannot be done in its present loosely-knit state and can only be done when and if the industry reaches a higher stage of self-government, cohesion and integration by heading up into either an industry council or Federal commission. Instead of Congressional investigation, or at least prior to a Congressional investigation, I should like to see an all-industry. To be sure there is a amine frankly the problems of the industry. To be sure there is a good deal of inertia in this direction but this very inertia is a good reason for not following Mr. Ruml's plan of a Congresssional investigation."

Mr. Hedges' cautious and statesmanlike observations deserve thoughtful consideration, but we must remember that in the course of the next ten years the taxpayer's government will expend between 30 and 50 billion dollars in public works, and that the direction of our fiscal policy is yet undetermined.

I have said that we should not wait for a Congressional investigation to take many actions that would be beneficial to the construction industry and to the public in any case. A recent report by Miles Colean issued by the National Planning Association with concurrence of its agriculture, business and labor committees recommended: First, that there should be established in some appropriate agency a Bureau of Construction Economics which should be authorized to assemble, maintain and publish regularly essential series of data with respect to construction and should have appropriations consistent with the carrying out of this purpose. Second, that facilities should be provided for an extensive program of technical and industrial research organized after the pattern of the National Advisory Committee for Aeronautics so as to represent all the interests involved. Third, since a variable public works program must be regarded as a basic instrument of the stabilization of the construction industry, the Federal Government should organize and implement its agencies so that the objective of stabilization might be attained. And finally, that precaution should be taken whereby in the face of emergency we should be insured against the unhappy consequence resulting from a sudden withdrawal of credit for construction enterprise.

The National Planning Association recognizes that unusual pressure for both public and private construction is certain to result from the accelerated urban building following the restoration of peace. The longer the restoration of construction is delayed, the greater will be the pressure of pent-up demand and the greater the threat to the stability of the industry. The committees of the Association, therefore, urge that the wartime regulatory agencies of the Federal Government give every assistance, consistent with the prosecution of the war, to immediate and rapid revival of the construction industry.

Other useful suggestions have been made for assisting in a more orderly demand for construction. The National Association of Real Estate Boards has recommended that there be created "a new and general Federal Mortgage Bank System upon sound economic foundations with capital stock subscribed by the general mortgage industry, designed to provide, under private management but subject to appropriate regulatory controls, long-term mortgage credit, and to be a source of investment opportunities for the millions of small investors in the land, without, however, involving in any way whatsoever the national credit or engaging the Federal Government in the business of mortgage financing, insurance or processing of mortgages."

This recommendation deserves immediate and favorable consideration, providing, as I think must be obvious, that the proposal does not intend to set up a second central banking system competitive with the Federal Reserve System, and that its intention is to supplement and not supplant the useful activities of the Federal Home Loan Bank System. We need much inventiveness in the creation of efficient institutions under responsible management that will facilitate the flow of savings to investment, and that will help stabilize the private demand for construction, thereby reducing the burden that would otherwise fall upon the Federal Government.

A Congressional investigation of the construction industry, let me repeat, is not necessary in order to get much good work done. I make this suggestion of a Congressional investigation of the construction industry for what it may be worth. I certainly do not intend to press the matter. My principal interest is in fiscal policy, not in the construction industry. As a private citizen, I have the same general concern for the construction industry that I have for any industry—that it should serve the people well, and that it should prosper. Let me make this perfectly clear, an investigation of the construction industry is not necessary in order to have a sound, national fiscal policy. An investigation is necessary, in my opinion, if we are to have a sound construction industry.

In closing, let us see the construction industry in broad perspective. The industry is intimately associated with the everyday life of every one of us. It gives us our homes, our factories, and our places of business. It provides our streets and our highways, our harbors, our waterways, our bridges, and our tunnels; it protects the national domain against irreparable loss. Reasonable stability in the industry will benefit all elements of the industry, and will give to the people all these good products at lower costs as well. Reasonable stability of the industry at high levels of activity would be a bulwark of national prosperity and a great tool of fiscal policy.

More Mail to Belgium

Postmaster Albert Goldman announced on April 21 information has been received from Washington that, effective at once, the mail service to Belgium heretofore limited to letters not exceeding 4 pounds 6 ounces in weight and to nonillustrated post cards, is extended to include articles or printed matter not exceeding 1 pound in weight. The postage rate is 1½ cents for each two ounces.

The printed matter service is restricted to:

(a) Periodicals and newspapers mailed directly by a publisher in this country to a publisher, an agent, or a subscriber in Belgium.

(b) Other articles conforming to the conditions applicable to printed matter, mailed directly by a publisher or commercial firm.

Forwarding or remailing any articles of printed matter for Belgium is prohibited. Publications containing technical data must comply with the licensing requirements of the Foreign Economic Administration.

Official History Of AIB Authorized

The Executive Council of the American Institute of Banking, educational section of the American Bankers Association, has authorized publication of a history of the Institute, which will be written by Richard W. Hill, retired national Secretary in collaboration with Miss Marion Turner, Assistant to the Educational Director, it has been announced by President William C. Way, who is also Trust Officer of the Central National Bank, Cleveland, Ohio. The proposal for the A. I. B. history was brought up at the recent Executive Council meeting, held in Florida. Dr. William A. Irwin, Educational Director, stressed the importance of the action "in view of the fact that our organization pioneered in the field of adult education in America, a field which in the post-war period is going to have a development such as it has never had in the history of this country, or perhaps of the world."

Both Mr. Hill and Miss Turner have been connected with the A. I. B. for many years and have been active in its work from the national headquarters in New York. Mr. Hill became connected with the Institute in 1916, first as Assistant Educational Director. In 1919 he was appointed Secretary and held that post until 1940. Mr. Hill was also Secretary of the A. B. A., of which the Institute is a section, until his retirement from active service in the Association, Aug. 31, 1944, and served for a number of years as Secretary of the Public Education Commission of the Association, as well as Registrar of the Graduate School of Banking, which is conducted by the Association at Rutgers University since its organization in 1935. Mr. Hill is a graduate of the Institute. Miss Turner is also a graduate of the Institute, and has been employed as a member of the national staff since July, 1923. She came to the A. I. B. after a career in the field of scientific education and research following her B. A. degree from Mount Holyoke College and B. S. degree received from the School of Secretarial Science at Simmons College, Boston, Massachusetts.

The A. I. B. was brought into being in 1900 by the A. B. A., which consolidated and gave financial support to the educational activities then being carried on in groups of bank employees in a number of metropolitan areas. The Institute now has 55,000 members and a total enrollment of 25,196.

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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.

THURSDAY, MAY 3

LINK-BELT CO. April 14 filed a registration statement for 100,000 shares of common stock (no par).

Details—See issue of April 19.

Offering—Waivers of preemptive rights with respect to a number of shares of common stock to be filed later of the 100,000 shares registered have been received from the holders of outstanding common stock. The company is offering to the holders of the balance of the common stock rights to subscribe to new common at a price to be filed by amendment at the rate of 13½ shares for each 100 shares held. The underwriters have purchased and are offering the common stock to which waivers have been received, and will also purchase any shares not subscribed for by stockholders.

Underwriters — Kidder, Peabody & Co., heads the list of underwriters, with names of others to be filed by amendment.

SATURDAY, MAY 5

RUSS BUILDING CO. April 16 filed a registration statement for $2,000,000 4¼% 20-year sinking fund debentures due 1965.

Details—See issue of April 26.

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

Underwriters — Blyth & Co., Inc., is named principal underwriter, with others to be named by amendment.

SUNDAY, MAY 6

FRED B. PROPHET CO. April 17 filed a registration statement for 100,000 shares of common stock (par $1). Shares are issued and outstanding and are being sold by Fred B. Prophet, President, Treasurer and Director.

Details—See issue of April 26.

Offering—Of the shares registered the underwriters have purchased 86,500 which will be offered to the public at $6.25 a share. The remaining 13,500 shares will be offered by Mr. Prophet to officers, directors and employees of the corporation at $5.25 a share. Any of the 13,500 shares not purchased by such officers, etc., will be purchased and offered to the public by the underwriters at $6.25 a share.

Underwriters—Smith, Hague & Co., Detroit, and Straus & Blosser, Chicago, are named principal underwriters.

THERMOID CO. April 17 filed a registration statement for $3,000,000 first mortgage bonds due April 15, 1960, and convertible preferred stock, $2.50 cumulative, par $50. The interest rate on the bonds and the number of shares of preferred will be filed by amendment.

Details—See issue of April 26.

Underwriters—Blyth & Co., Inc. and Estabrook & Co. are the principal underwriters for the bonds. The names of others will be filed by amendment. The name of the stock underwriter will be filed by amendment.

MONDAY, MAY 7

JOSEPH E. SEAGRAM & SONS, INC. AND DISTILLERS CORP. - SEAGRAMS, LTD. on April 18 filed a registration for $50,000,000 20-year debentures due May 1, 1965. The bonds are to be guaranteed unconditionally by Distillers Corp.-Seagrams, Ltd. Interest rate will be filed by amendment.

Details—See issue of April 26.

Underwriters—Harriman Ripley & Co., Inc. head the list of underwriters, with names of others to be filed by amendment.

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for $2,375,000 first mortgage bonds, 3⅜% series due 1975; 8,500 shares 4¾% cumulative preferred stock (par $100) and 128,935 shares of common (par $1).

Details—See issue of April 26.

Offering — Holders of the outstanding common stock of Southwestern Public Service Co. will be given the right to subscribe to the 128,935 shares of common at the rate of one share of common of Southwestern Electric for each five shares of common of Southwestern Public Service. The subscription price will be filed by amendment. The public offering price of any unsubscribed common and of the bonds and preferred stock will be filed by amendment.

Underwriters—To be filed by amendment.

TUESDAY, MAY 8

TEXTRON INC. on April 19 filed a registration statement for $5,000,000 15-year 4½% convertible debentures due April 1, 1960.

Details—See issue of April 26.

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

Proceeds—Approximately $1,930,075 will be used to redeem at 102½ $1,883,000 15 year 5% convertible debentures; $500,000 to purchase from American Associates, Inc., [illegible],000 of debentures of Newmarket Manufacturing Co.; to repay American Associates the unpaid balance of a loan and to reduce an outstanding bank loan.

Underwriting—Principal underwriters are Hill & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles.

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares preferred stock (par $100). The dividend rate will be filed by amendment.

Details—See issue of April 26.

Offering—The company will offer the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

Underwriters—The company will retain a dealer-manager to aid it in obtaining acceptances of the exchange offer.

LAISTER-KAUFFMAN AIRCRAFT CORP. on April 19 filed a registration statement for 17,702 shares first preferred stock, 6% cumulative (par $25), 262,314 shares class A common (par $1), 250,000 shares class B common (par 5 cents) and 260,136 shares class C common (par 5 cents).

Details—See issue of April 26.

Underwriters—John R. Kauffman Co. is named principal underwriter.

CITY STORES CO. on April 19 filed a registration statement for 125,000 shares of common stock (par $5). Shares are issued and outstanding and are being offered by Bankers Securities Corp., parent.

Details—See issue of April 26.

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

Underwriters—Lehman Brothers is named principal underwriter.

WEDNESDAY, MAY 9

THOMPSON PRODUCTS, INC. on April 20 filed a registration statement for 60,000 shares of 4% cumulative preferred stock (par $100).

Details—See issue of April 26.

Offering — Company is offering 45,000 shares of new preferred to holders of its 45,000 shares of 5% preferred in exchange on a share for share basis plus a cash adjustment being the difference between the offering price of the new preferred and the present $107 redemption price of the 5% preferred. The unexchanged shares and the 15,000 remaining shares will be offered by underwriters at a price to be filed by amendment.

Underwriters—Principal underwriters are Smith, Barney & Co., and McDonald & Co.

PRINCESS SHOPS, INC. on April 20 filed a registration statement for 25,000 shares of 60 cent cumulative dividend preferred stock (par $5) and 25,000 shares of common stock (par 50 cents).

Details—See issue of April 26.

Offering—The stock is being offered in units consisting of one share of preferred and one share of common at $10 per unit.

Underwriters — First Colony Corp. and Childs, Jeffries & Thorndike, Inc. head the underwriters, with the names of others to be filed by amendment.

HUSSMAN-LIGONIER CO. on April 20 filed a registration statement for 30,000 shares $2.25 cumulative preferred stock (no par) with accompanying common stock purchase warrants.

Details—See issue of April 26.

Offering—Company is offering to holders of its common stock right to subscribe to one share of the new $2.25 preferred for each 5.7 shares of common held at a price to be filed by amendment.

Underwriters—W. E. Hutton & Co. is named principal underwriter.

SAN JOSE WATER WORKS on April 20 filed a registration statement for 79,739 shares of common stock (par $25). The shares are issued and outstanding and were purchased by the underwriters from General Water Gas & Electric Co.

Details—See issue of April 26.

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

Underwriters — Union Securities Corp., Harriman Ripley & Co., Inc., W. C. Langley & Co., Hornblower & Weeks and Kuhn, Loeb & Co., who purchased the shares.

CALIFORNIA WATER SERVICE CO. on April 20 filed a registration statement for 116,568 shares of common stock (par $25). The shares are issued and outstanding and were purchased by the underwriters from General Water Gas & Electric Co.

Details—See issue of April 26.

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

Underwriters — Union Securities Corp., Harriman Ripley & Co., Inc., W. C. Langley & Co., Hornblower & Weeks and Kuhn, Loeb & Co., who purchased the shares.

THURSDAY, MAY 10

HINDE & DAUCH PAPER CO. on April 21 filed a registration statement for 35,900 shares of $4 cumulative convertible preferred stock (par $100) and 119,666⅔ shares of common (par $10). The latter are being registered in event of the conversion of the preferred stock.

Details—See issue of April 26.

Offering—Company is offering to holders of its 35,900 shares of $5 cumulative convertible preferred right to exchange such shares, on a share for share basis, subject to certain dividend adjustments. Any unsubscribed shares will be purchased by underwriters and offered to public at a price to be filed by amendment.

Underwriters—Glore, Forgan & Co. and Maynard H. Murch & Co. are principal underwriters.

SOLAR AIRCRAFT CO. has filed a registration statement for 100,000 shares of 90 cent cumulative convertible preferred stock (par $15).

Address — 2200 Pacific Highway, San Diego, Cal.

Business—Manufacture of parts for airplanes, etc.

Offering—The price to the public is $16.625 a share.

Proceeds—The net proceeds initially will be added to working capital. The underwriting agreement provides that the company shall call for redemption all the outstanding series A preferred stock of which 18,451 shares were outstanding at the close of business March 30, 1945. The redemption price is $8 per share plus accrued dividends to the date fixed for redemption which is contemplated to be July 15, 1945. The statement said the company does not expect to be required to pay such redemption price for any substantial number of the shares of series A preferred because of the likelihood that, upon a call for redemption, practically all of the stock will be converted into common stock.

Underwriters—Reynolds & Co. is principal underwriter, with names of others to be filed by amendment. The company also is selling to the underwriters warrants entitling the holders to purchase at any time within three years of the effective date of the registration statement 25,000 shares of common stock at a price to be filed by amendment.

Registration Statement No. 2-5715. Form S-1. (4-21-45).

EKCO PRODUCTS CO. on April 21 filed a registration statement for 29,664 shares of cumulative preferred stock, 4½% series (par $100), and 240,000 shares of common (par $5). Shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of April 26.

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

Underwriters — Union Securities Co. is named principal underwriter.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities.

TEXAS POWER & LIGHT CO. on April 21 filed a registration statement for $31,500,000 first mortgage bonds due 1975. Interest rate will be filed by amendment.

Details—See issue of April 26.

Offering—Bonds will be offered for sale at competitive bidding with the successful bidder naming the interest rate. The price to the public will be filed by amendment.

Underwriters—To be filed by amendment.

SATURDAY, MAY 12

A. HARRIS & CO. on April 23 filed a registration statement for 7,000 shares of 5½% cumulative preferred stock (par $100).

Details—See issue of April 26.

Offering—The new preferred will be offered initially to the common stockholders at $100 per share on the basis of one share of preferred for each share of common. Any shares not subscribed will be offered pro rata to the former holders of the 7% preferred shares which shares have been called for redemption on May 1, 1945. Any balance will be offered to the public by the underwriter at $102.

Underwriters—Dallas Rupe & Son of Dallas, Texas.

ASSOCIATED TELEPHONE CO., LTD. has filed a registration statement for 280,312 shares 4½% cumulative preferred stock (par $20).

Address—Santa Monica, Cal.

Business—Operating telephone company.

Offering—First in exchange share for share for $1.25 cumulative preferred no par value on basis one share new preferred plus cash for one share of old. Unexchanged shares together with 42,312 shares will be sold to underwriters to be offered to the public at a price to be filed by amendment.

Purpose—To redeem $1.25 cumulative preferred stock.

Underwriters—Paine, Webber, Jackson & Curtis head the group of underwriters, with names of others to be filed by amendment.

Registration Statement No. 2-5719. Form S-1. (4-21-45). Originally filed in San Francisco.

SUNDAY, MAY 13

900 N. RUSH HOTEL CORP. has filed a registration statement for 10,216⅞ shares of common stock (no par) and $357,590.63 of first mortgage income bonds.

Address—900 North Rush Street, Chicago, Ill.

Business—Operation of hotel.

Purpose—The company was formed for the purpose of purchasing in fee simply and operating the business and property known as the Maryland Hotel, Chicago. The present title owner of the property is Metropolitan Trust Co., trustee under trust agreement identified as Trust No. 1155, dated Oct. 15, 1935, known as Hotel Maryland Liquidation Trust. The trust will terminate Oct. 15, 1945, and under the trust agrement the trustee is required to sell the trust property at public or private auction, as the trustee shall determine, after having given to the trust certificate holders 20 days' notice of the time and place of sale.

Registration Statement No. 2-5723. Form S-1. (4-24-45).

900 N. RUSH HOTEL CORP. Raymond L. Redheffer, Louis J. Borinstein and John A. Sargent, as trustees under a voting trust agreement dated as of March 15, 1945, have filed a registration statement for voting trust certificates relating to a maximum of 10,216⅞ shares of 900 N. Rush Hotel Corporation.

Address—Address of issuer Suite 315.11 South La Salle Street, Chicago.

Business—See above registration.

Purpose—See above registration.

Registration Statement No. 2-5724. Form E-1. (4-24-45).

MAJESTIC RADIO & TELEVISION CORP. has filed a registration statement for 69,965 shares of common stock, one cent par value. Of shares registered 66,965 are already issued and outstanding and being sold by certain stockholders and 3,000 shares will be issued by Majestic upon exercise of an option at $2 per share.

Address—2600 West 50th Street, Chicago, Ill.

Business—Pre-war business assembly and sale of radio receiving sets, etc.

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

Proceeds — Company will apply $6,000 proceeds to working capital. Other proceeds will be received by selling stockholders.

Underwriters—Kobbe, Gearhart & Co., Inc., is named principal underwriter.

Registration Statement No. 2-5725. Form S-1. (4-24-45).

MONDAY, MAY 14

AMERICAN BOX BOARD CO. has filed a registration statement for $1,750,000 20-year 4½% convertible debentures and 109,375 shares of common stock, par $1. The shares of stock were registered to provide for the conversion feature of the debentures.

Address—470 Market Street, S. W., Grand Rapids, Mich.

Business—Folding paper boxes, etc.

Offering—A total of $220,000 of the debentures are reserved for sale by the company to its profit sharing incentive retirement trust; $177,000 are to be offered to officers and employes in exchange for outstanding securities of the company or for sale to them and $1,103,000 together with any balance of the $177,000 not taken by officers and employes are to be sold to underwriters for offering to the public at a price to be filed by amendment. The remaining $250,000 are reserved.

Proceeds—Of the proceeds $744,230 will be used to redeem on Aug. 1, 1945, outstanding 7% convertible debentures and 7% registered notes. Balance of proceeds, with other funds of the company, will be utilized for improvements and additions to the company's plants at Grand Rapids and Chicago.

Underwriters—Paine, Webber, Jackson & Curtis and Paul H. Davis & Co. head the group of underwriters.

Registration Statement No. 2-5726. Form A-2. (4-25-45).

GODCHAUX SUGARS, INC. has filed a registration statement for 29,370 shares of $4.50 prior preferred stock, cumulative (no par).

Address—Carondelet Building, New Orleans, La.

Business—Engaged in all phases of the sugar and sugar-cane industry.

Offering—Company is offering to the holders of the 26,700 shares of its $7 preferred stock now outstanding the right to exchange such shares for 29,370 of its $4.50 prior preferred upon the basis of 1 1/10 shares of prior preferred for each share of $7 preferred plus a cash adjustment with respect to dividends. The company intends to redeem at $110 per share and accrued dividends all $7 shares not exchanged under the plan. The underwriters will purchase any new shares not issued in exchange and offer them at a price to be filed by amendment.

Purpose—To effect exchange of outstanding preferred.

Underwriters — Hallgarten & Co., and Harris, Hall & Co., Inc., head the group of underwriters.

Registration Statement No. 2-5727. Form S-1. (4-25-45).

TUESDAY, MAY 15

MAY DEPARTMENT STORES CO. has filed a registration statement for 80,000 shares of common stock (par $5). The shares are issued and outstanding and are being sold by five trusts.

Address—Sixth & Olive Street, St. Louis, Mo.

Business — Operates seven department stores in St. Louis, Cleveland, downtown Los Angeles, Akron, Baltimore, Denver and suburban Los Angeles.

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

Proceeds—Go to the selling stockholders.

Underwriters—Goldman, Sachs & Co., and Lehman Brothers head the underwriting group.

Registration Statement No. 2-5728. Form A-2. (4-26-45).

DEERE & CO. has filed a registration statement for $19,500,000 20-year 2¾% debentures, due April 1, 1965.

Address—Moline, Ill.

Business—Agricultural implements and wheel-type farm tractors.

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

Proceeds—The net proceeds from sale of the debentures, together with the proceeds from sale of $10,500,000 serial notes, are to be used as the future developments of the business may require.

Underwriters—Principal underwriters are Harriman Ripley & Co., Inc., Blyth & Co., Inc., First Boston Corp., Lazard Freres & Co., Mellon Securities Corp., Smith, Barney & Co., Merrill Lynch, Pierce, Fenner & Beane, Shields & Co., Union Securities Corp., Harris, Hall & Co., Inc. and Bacon, Whipple & Co.

Registration Statement No. 2-5729. Form A-2. (4-26-45).

WEDNESDAY, MAY 16

CRYDE PORCELAIN STEEL CORP. filed a registration statement for $500,000 first mortgage 15-year 5½% sinking fund convertible bonds and 100,000 shares of common stock reserved for conversion of the bonds.

Address—Clyde, Ohio.

Business—Porcelain finished food compartments for refrigerators, etc.

Offering—Price to the public is 100.

Proceeds—For additions, equipment and working capital.

Underwriters—Kobbe, Gearhart & Co., Inc., and Newburger & Hano are principal underwriters.

Registration Statement No. 2-5730. Form S-1. (4-27-45).

REVERE COPPER & BRASS, INC. has filed a registration statement for 150,000 shares of common stock (no par). The shares are issued and outstanding and are owned by General Cable Corp.

Address—230 Park Avenue, New York City.

Business—Manufactures a varied line of copper, brass, bronze and alloy products, etc.

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

Proceeds—The proceeds will go to General Cable Corp. which will add them to its cash resources. General Cable Corp. as of Feb. 1, 1945, owned of record 276,194 shares or 21.46% of the issued and outstanding common stock of Revere, constituting approximately 20% of the total stock of the company having voting power. Upon the sale of the 150,000 shares of common, the holdings of General Cable will be reduced to 9.80% of the common stock and 9.16% of the total stock of Revere having voting power.

Underwriters—Blyth & Co., Inc. is the principal underwriter.

Registration Statement No. 2-5731. Form A-2. (4-27-45).

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.

AIRCRAFT RADIO CORP. on March 31 filed a registration statement for 100,000 shares of common stock, par $1. All of the shares are issued and outstanding and are being sold for the account of certain stockholders.

Details—See issue of April 5.

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

Underwriters—F. Eberstadt & Co. is principal underwriter.

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

Underwriters—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.

ARMSTRONG RUBBER CO. April 9 filed a registration statement for 50,000 shares of 4¾% cumulative convertible stock ($50 par) and 50,000 shares of class A common stock (no par).

Details—See issue of April 19.

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

Underwriters—F. Eberstadt & Co., is named principal underwriter.

ASHLAND OIL & REFINING CO. on April 5 filed a registration statement for 40,000 shares of 4½% cumulative convertible preferred stock (par $100).

Details—See issue of April 12.

Offering—Company is offering to holders of its common stock rights to subscribe for the new preferred at rate of one share of preferred for each 24.1 shares of common held. The company also offers, subject to the subscription rights granted to the holders of the common, to holders of presently outstanding 5% cumulative preferred the opportunity to exchange their shares for the new preferred on a share for share basis plus a cash payment. Unsubscribed and unexchanged shares will be sold to underwriters to be offered to the public. Subscription price is $101.50 per share.

Underwriters—A. G. Becker & Co., Inc., Chicago, is named principal underwriter.

ATLANTIC CO. on March 23 filed a registration statement for $10,600,000 5% sinking fund debentures, due April 1, 1980, and 274,868 shares of common stock (no par).

Details—See issue of March 29.

Offering—Under reorganization and recapitalization plan company is offering to the holders of outstanding 6% cumulative

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preferred stock the privilege of exchanging their shares on the basis of $100 par value of stock for $100 par value of 5% debentures and one share of common stock; to holders of 7½% cumulative preferred stock the privilege of exchanging their shares on basis of $100 par value of preferred stock for $100 of debentures and 5 shares of common and to holders of outstanding 6% Class A preference stock the privilege of exchanging their shares on the basis of $50 par value of stock for $50 par value of 5% debentures and two shares of common stock.

The holders of the 6% preferred and 6% Class A stock offering their stock for exchange shall receive dividends on April 1, 1945, at the same rate of dividends paid on the stock on Jan. 1, 1945, but shall receive no dividends thereafter, the debentures bearing interest from such date.

Any debentures not issued in exchange for stock shall then be offered to holders of presently outstanding first mortgage 5% sinking fund bonds on the basis of $100 par of debentures plus an amount not exceeding $3 in cash for each $100 par value of bonds exchanged. The 5% sinking fund bonds are callable at 103. All of the outstanding 5% sinking fund bonds not exchanged for debentures and all of the first mortgage 3% serial bonds shall be called for redemption.

The company contemplated that about June 1, 1945, it will issue not exceeding $3,400,000 3% notes and use the proceeds either for the purpose of calling all 3% serial bonds and the outstanding unexchanged 5% sinking fund bonds or to reimburse the company for funds previously used for that purpose. Any debentures not taken in exchange for stocks or bonds may be sold by the company at not less than par plus accrued interest.

Underwriter—Courts & Co., Atlanta, is named as underwriter.

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.

BALTIMORE PORCELAIN STEEL CORP. April 13 filed a registration statement for 100,000 shares of $5 cumulative convertible preferred stock (par $5) and 100,000 shares of common (par 10 cents).

Details—See issue of April 19.

Offering—The price to the public is $5 per unit consisting of one share of preferred and one share of common stock.

Underwriters—Kobbe, Gearhart & Co., Inc., and Newburger & Hano are principal underwriters.

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.

CALIFORNIA WATER & TELEPHONE CO. on March 27 filed a registration statement for 107,000 shares of $1.20 cumulative preferred (par $25) and 9,672 shares common ($25 par).

Details—See issue of April 5.

Offering—New preferred will be offered for exchange to holders of 100,000 shares of 6% cumulative ($25 par) preferred on share for share basis. Unexchanged shares and the 7,000 additional shares of preferred and 9,672 shares of common will be offered through underwriters to public, the preferred at $27.50 per share and the common at $36 per share.

Underwriters — Blyth & Co., Inc., is named principal underwriter.

CAROLINA POWER & LIGHT CO. on March 16 filed a registration statement for 156,158 shares of $5 preferred stock (no par).

Details—See issue of March 22.

Offering — The 156,158 shares of $5 preferred stock are to be offered, share for share 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. Company proposes to make a cash adjustment which, together with dividends receivable on the $5 preferred stock, will give each stockholder who exercises the exchange privilege a dividend at rate of $7 per share per annum or $6 per share per annum, respectively, up to respectively up to the redemption date of these stocks.

Kirchofer & Arnold and R. S. Dickson & Co., Inc. are dealer managers.

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.

CONSOLIDATED RETAIL STORES, INC. on April 6 filed a registration statement for 30,000 shares of $2.75 cumulative preferred stock (no par).

Details—See issue of April 12.

Offering—The company is giving to the holders of its outstanding 8% cumulative preferred stock, par $100, the right to exchange such stock for $2.75 cumulative preferred on the basis of 2.30 shares of $2.75 cumulative preferred, plus certain cash payment by the company, for each share of 8% preferred. Unsubscribed shares will be purchased by underwriters and offered to the public at $50 per share.

Underwriting—Central Republic Co., Inc.; Peltason, Tenenbaum Co.; Scherck, Richter & Co.; Stix & Co.; G. H. Walker & Co.; I. M. Simon & Co., and Stein Bros. & Boyce.

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.

ELECTROMASTER, INC. on March 29 filed a registration statement for 107,923 shares of common stock, par $1. All of the stock is issued and outstanding and is owned by Nash-Kelvinator Corp. (being 55.17% of total outstanding stock).

Details—See issue of April 5.

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

Underwriters—S. R. Livingstone & Co., and Mercier, McDowell & Dolphyn, both of Detroit.

EXPRESO AEREO INTER-AMERICANO, S. A., on March 30 filed a registration statement for 300,000 shares of common stock.

Details—See issue of April 5.

Offering—Price to public is $3 per share.

Underwriters—Van Alstyne, Noel & Co. is named principal underwriter.

FAIRCHILD ENGINE AND AIRPLANE CORP. April 11 filed a registration statement for 90,000 shares of $2.50 cumulative preferred stock (no par). The shares are convertible at the option of the holder prior to May 1, 1955 into common stock at a price to be filed by amendment.

Details—See issue of April 19.

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

Underwriters—Smith, Barney & Co. head the underwriters, with the names of others to be filed by amendment.

GENERAL WATERWORKS CORP. on March 31 filed a registration statement for 10,000 shares of 5% preferred stock, cumulative (par $100).

Details—See issue of April 5.

Offering—Price to the public is $100 per share.

Underwriters — Butcher & Sherrerd, Phila., Robert Hawkins & Co., Boston, and Southern Securities Corp., Little Rock, Ark.

GEORGIA POWER & LIGHT CO. on March 30 filed a registration statement for $2,500,000 first mortgage bonds series due 1975.

Details—See issue of April 5.

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

Underwriters—The bonds are to be sold under the Commission's competitive bidding rule and names of underwriters will be filed by amendment.

Bids Asked—Bids for the purchase of the bonds will be received at Room 2401, 61 Broadway, N. Y. City up to 12 noon EWT on May 7 the interest rate to be specified in the bid.

GIBSON REFRIGERATOR CO. April 11 filed a registration statement for 247,140 shares of common stock (par $1). The shares are issued and outstanding and are being offered on behalf of certain stockholders.

Details—See issue of April 19.

Offering—Price to the public is $11.75 per share.

Underwriters—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Inc. of Chicago, are named principal underwriters.

GRAHAM-PAIGE MOTORS CORP. April 10 filed a registration statement for 200,000 shares of 5% convertible preferred stock cumulative (par $25).

Details—See issue of April 19.

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

Underwriters—Allen & Co., New York.

THE HUB, HENRY C. LYTTON & CO. on March 15 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.

Details—See issue of March 22.

Underwriters—The principal underwriter is Allen & Co., with names of others to be filed by amendment.

Offered April 26 at $7.75 a share.

KOBACKER STORES, INC. on April 6 filed a registration statement for 55,781 cumulative preferred shares and 175,000 common shares. Of the stock registered 175,000 common and 15,781 shares of the preferred are issued and outstanding and are being sold for the account of certain stockholders. Statement also covers 80,000 common shares issuable upon exercise of warrants.

Details—See issue of April 12.

Offering—The offering price to the public is $25 per share for the preferred and $9 per share for the common.

Underwriters—Van Alstyne, Noel & Co., is named principal underwriter, with names of others to be filed by amendment.

LAKE SUPERIOR DISTRICT POWER CO. on March 31 filed a registration statement for 133,500 shares of common stock, par $20. The stock is issued and outstanding and is owned by North West Utilities

Details—See issue of April 5.

Issue Awarded April 30 to Blyth & Co., Inc. and associates on bid of $21.16 per share.

LASALLE YELLOWKNIFE GOLD MINES, LTD., on March 30 filed a registration statement for 314,512 shares, par value $1.

Details—See issue of April 5.

Offering — Of total registered 200,000 shares consist of a new series of shares and will be sold at $1 per share. There is also included in the registration 114,512 shares which were sold to United States residents prior to registration, and concerning which an offer of recision is to be made.

Underwriters — Company proposes to market its own securities.

LEAR, INC., on March 29 filed a registration statement for 450,000 common shares 50 cents par value. Of the total 50,000 shares are being sold by the trust created by William P. Lear for his children.

Details—See issue of April 5.

Offering—Stock will be sold to the public at $5 per share.

Underwriters—Kobbe, Gearhart & Co.

LOS ANGELES TRANSIT LINES on March 30 filed a registration statement for 429,200 shares of common stock (par $10). All of the shares are outstanding and are being optioned to underwriters by American City Lines, Inc.

Details—See issue of April 5.

Underwriters—Blyth & Co., Inc.; Bateman, Eichler & Co.; Alex. Brown & Sons; Hill, Richards & Co.; W. C. Langley & Co.; Lazard Freres & Co.; Laurence M. Marks & Co.; Mason Bros.; Pacific Co. of California; Reynolds & Co.; Shuman, Agnew & Co.; William R. Staats Co.; Stein Bros. & Boyce; Wertheim & Co., and Dean Witter & Co.

Offered April 27 at $6.50 a share.

MILLER-WOHL CO., INC., on March 31 filed a registration statement for 30,000 shares 5% cumulative convertible preferred stock (par $50) and 50,000 shares of common (par $1). Of the stock registered 15,000 shares of preferred and 50,000 shares of common are issued and outstanding and are being sold by four stockholders.

Details—See issue of April 5.

Underwriters—The principal underwriter is Allen & Co.

Offered April 30 the preferred stock at $50 per share and the common at $13.50 per share.

MOBILE GAS SERVICE CORP. April 12 filed a registration statement for 100,000 shares of common stock (no par). The shares are issued and outstanding and owned by Consolidated Electric & Gas Co.

Details—See issue of April 19.

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

Underwriters—The shares are to be offered for sale at competitive bidding by Consolidated. Names of the underwriters will be filed by amendment.

MORRISON-KNUDSEN CO., INC., April 12 filed a registration statement for 4,000 shares series M 5% and 3,000 shares series N 6% cumulative preferred stocks both $100 par value; $100,000 series G 3% and $100,000 series Q 3% certificates.

Details—See issue of April 19.

Offering—The preferred stock will be sold at par. The certificates also will be sold at par.

Underwriters — Wegener & Daly, Inc., Idaho, is underwriter for the preferred stock. The certificates will be sold through officers and employees of the company.

MUTER CO. on March 30 filed a registration statement for 133,000 shares of common stock, par $1. Of total 108,000 shares are being offered to the public, of which 18,000 shares are by company and 90,000 shares by a stockholder. The statement also covers 25,000 shares upon exercise of stock purchase warrants entitling holder to purchase common stock within two years of offering date at $7.50 per share.

Details—See issue of April 5.

Offering—Public offering price of the 108,000 shares is $5 per share.

Underwriters—Hicks & Price, Chicago is named principal underwriter.

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.

NEW YORK POWER & LIGHT CORP. on April 7 filed a registration statement for 240,000 shares of cumulative preferred stock (par $100). The stock will be offered for sale at competitive bidding, with the successful bidder naming the dividend rate.

Details—See issue of April 12.

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

Underwriting—The names of the underwriters will be filed by amendment.

Bids Asked—Bids for the purchase of the bonds will be received by the corporation at Room 1826, 15 Broad St., New York up to 12 noon EWT on May 8, the dividend rate to be specified in the bid.

NU-ENAMEL CORP. on March 30 filed a registration statement for 50,000 shares 60-cent cumulative dividend convertible preferred stock, par $5.

Details—See issue of April 5.

Offering—Company is initially offering new preferred to holders of its common stock for subscription at $10 per share on basis of one share of preferred for each 6½ shares of common. Unsubscribed shares will be offered to public by underwriter at $10 per share.

Underwriters—Floyd D. Cerf Co. of Chicago, is named principal underwriter.

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.

Withdrawal — Request for withdrawal filed March 30.

H. K. PORTER CO., INC., on March 31 filed a registration statement for 50,000 shares of cumulative preferred stock, 5% series, $50 par, with non-detachable common stock purchase warrants attached, and 45,000 shares of common ($5 par). The 45,000 shares of common are issued and outstanding and are being sold by T. M. Evans, President.

Details—See issue of April 5.

Underwriters—Blair & Co., Inc., is named principal underwriter, with names of others to be filed by amendment.

Offered May 1, the preferred at $50 per share and the common at $9.50 per share.

RALSTON PURINA CO. on April 4 filed a registration statement for 100,000 shares of preferred stock, series A (par $100). Dividend rate will be filed by amendment.

Details—See issue of April 12.

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

Underwriting—Kidder, Peabody & Co. and Goldman, Sachs & Co. are named principal underwriters.

REEVES-ELY LABORATORIES, INC., (formerly Reeves Sound Laboratories, Inc.) on March 23 filed a registration statement for 550,000 shares of 30-cent cumulative convertible preference stock ($4 par).

Details—See issue of March 29.

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

Underwriters—H. M. Byllesby & Co. heads the underwriting group, with names of others to be supplied by amendment.

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.

Underwriters—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.

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.

Underwriters—None named.

TENNESSEE GAS & TRANSMISSION CO. April 13 filed a registration statement for $35,000,000 first mortgage pipe line bonds, 3% series due 1965 and 75,000 shares of 5% cumulative preferred stock, par $100.

Details—See issue of April 19.

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

Underwriters—Dillon, Read & Co., Inc., Glore, Forgan & Co. and White, Weld & Co. are named principal underwriters, with names of others to be filed by amendment.

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.

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.

Underwriters—The names will be filed by amendment.

Bonds Awarded May 1 to the First Boston Corp. and associates on bid of 100.441 for a 2¾% coupon.

TIDE WATER ASSOCIATED OIL CO. on April 6 filed a registration statement for 300,000 shares of $3.75 cumulative preferred stock.

Details—See issue of April 12.

Offering—Company is offering to the holders of its 500,000 shares of $4.50 cumulative convertible preferred stock the right to exchange such shares for the new preferred stock on a share for share basis, subject to allocation on a pro rata basis if necessary. Such shares as are not exchanged will be sold to underwriters for offering to the public.

Underwriters—Kuhn, Loeb & Co., and Lehman Brothers are principal underwriters with names of others to be filed by amendment.

UNITED STATES PLYWOOD CORP. April 12 filed a registration statement for 100,000 shares of common stock (par $1).

Details—See issue of April 19.

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

Underwriters—Eastman, Dillon & Co., is principal underwriter, with names of others to be filed by amendment.

UNIVERSAL CAMERA CORP. on March 19 filed a registration statement for 663,500 shares Class A common stock, par value one cent a share, with Class A common stock purchase warrants. Of the total 530,500 are issued and outstanding and are being sold by certain stockholders.

Details—See issue of March 29.

Offering—The initial offering price is $5 per share. Of the 133,000 shares being offered for account of company, 20,000 are to be offered to employees at $4.25 per share. Shares not subscribed for by employees will be sold to public through underwriters along with the rest of the public offering. For every ten shares of common stock bought, purchasers, other than employees, will receive warrants to subscribe to one share of common stock, at $5 per share, on or before Dec. 31, 1948. Employees will receive such warrants for each five shares of common stock purchased.

Underwriters — Floyd D. Cerf Co. is named principal underwriter.

Hearings on stop order proceedings were scheduled before SEC on April 25.

UNIVIS LENS CO. on March 12 filed a registration statement for 42,702 common shares, (par 50 cents). Of the total 12,000 shares are being sold by the company and 30,502 shares are issued and being sold by stockholders.

Details—See issue of March 22.

Offering—The price to the public is $6.50 per share.

Underwriters — Allen & Co. is named principal underwriter.

Offered April 27 at $6.50 per share.

VIRGINIA ELECTRIC & POWER CO. on March 23 filed a registration statement for $59,000,000 first and refunding mortgage bonds Series E due March 1, 1975.

Bonds Awarded April 30 to Stone & Webster and Blodget, Inc., and associates on bid of 100.8229 for a 2¾% coupon.

Offered May 2 at 101½ and interest.

WALTHAM WATCH CO. on March 30 filed a registration statement for $3,881,040 convertible 5% income debentures, subordinated due May 1, 1975 and 244,000 shares common stock, class B (no par).

Details—See issue of April 5.

Offering—The securities are being offered to stockholders pursuant to a plan of recapitalization subject to plan being approved by stockholders. Holders of presently outstanding 32,342 shares of 6% preferred, par $100, would receive for their shares, with all accumulated dividends, $120 of debentures. Plan also provides that each share of class A stock will receive 10 shares of class B and that each share of present class B will be split two for one. Capitalization after consummation of the plan would consist of $3,881,040 of debentures, convertible into class B stock at $25 per share, and 327,737½ shares of class B common stock, which would be the sole equity stock.

Underwriters—Union Securities Corp. and A. C. Allyn & Co., Inc., are named principal underwriters, with others to be named by amendment.

WEBSTER-CHICAGO CORP. April 12 filed a registration statement for 106,400 shares of common stock (par $1). Of the total 45,000 shares are being sold by the company and 61,400 shares by certain stockholders.

Details—See issue of April 19.

Offering—The price to the public is $6.75 per share.

Underwriters—Principal underwriters are Brailsford & Co. and Shillinglaw, Bolger & Co., Inc., both of Chicago.

WELLS-GARDNER & CO. on March 30 filed a registration statement for 160,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold for the account of seven stockholders.

Details—See issue of April 5.

Offering—Price to the public is $8.25 per share.

Underwriters—Paul H. Davis & Co. and Shillinglaw, Bolger & Co., Inc., both of Chicago, are named principal underwriters.

Offered April 30 at $8.25 per share.

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.

Underwriters—Allen & Co. and Shea & Co.

Offered April 26 the preferred at 104 per share and dividend and the common at $13.50 per share.

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The fear that future financing will consist principally of short-term obligations still dominates the Government bond market. . . . This has prompted the sale of Treasury bills, certificates and notes, with the reinvesting of the proceeds in bonds, particularly the taxable securities, which continue to make new all time highs. . . .

This trend resulted in the restricted 2¼% due 1956/59 advancing about ⅜ of a point last week, largely due to the buying of institutions, who believe that this bond will sell at higher levels in the not too distant future. . . .

It was pointed out that the present pattern of financing and the fact that commercial banks will be able to purchase this bond on Sept. 15, 1946, has created an entirely different demand for the restricted 2¼% due 1956/59. . . . The scarcity of offerings, as well as reported short covering, no doubt contributed somewhat to the recent price advance in this issue. . . . The largest gain in the intermediate maturities was in the 2s due 12/15/51/55, a small issue, with a limited floating supply. . . .

The 2s due June and December 1952/54 were in demand with the latter issue finally selling at higher levels than the June maturity. . . . It was reported that a substantial part of the demand for the December 2s was the result of switching out of the 2s due 1949/51 and the 2s due 1950/52. . . .

MARKET FAVORITES

The 2½s due 1956/58 and the 2½s due 1967/72 were the favorites among the longer term obligations, although it is reported that the volume of trading was not large. . . . Under the existing pattern of financing the 2½s due 1967/72 are still considered the best bond for commercial banks with time deposits and it is indicated that these institutions are continuing taking on this obligation as it comes into the market. . . .

The restricted 2½s moved ahead with the 62/67's and the 63/68's making the best showing. . .

PARTIAL EXEMPTS SOFT

The partially-exempt were somewhat lower during the week, with the irregularity caused by minor selling, due to the belief that the war in Europe would not last much longer. . . . These bonds rallied quite sharply last Thursday, following reports that the Treasury does not anticipate any changes in taxes, including excess profits taxes, until the end of the conflict with Japan. . . .

FINANCING POLICY IN LIMELIGHT

Considerable discussion still centers around the present financing policy of the Treasury, particularly with reference to the future stability of the government bond market. . . . It was pointed out that until the financing of the Seventh War Loan, a definite policy could be detected in the Treasury financing. . . . The ⅜% bills were intended for the banks, primarily the Reserve Banks, and as a result of the policy to peg the rate, these bills have become equivalent to excess reserves. . . . The ⅞% certificates were principally for the large banks and corporations. . . .

The 2% bonds sold originally to everyone except the commercial banks, ultimately found their way into these institutions. . . .

The long 2½s were for the large institutional investors, notably the insurance companies, and savings banks and were restricted as to marketability. . . . The Series E, F & G bonds were designed for individuals. . . .

The system was on the whole, sound, the government bond market was orderly and considerable amounts of securities were sold to ultimate investors. . . .

MAIN CRITICISM

The principal criticism was that the 2% bonds eventually found their way into the commercial banks, and the Life Insurance Companies and Savings Banks were heavy traders of these bonds, for a profit. . . . Despite this the Treasury policy could be justified on the grounds that it created a cushion for the next War Loan Drive, as well as a favorable market for the new issue since the savings banks and insurance companies knew that these bonds would sell at a premium. . . .

It also prevented the outstanding issues from going too high in price, because the banks knew that considerable sales would take place when the new securities were offered. . . .

RESULTS

By means of this policy the Treasury was able to accomplish the following:

(a) To have each war loan overscribed
(b) To keep interest rates down
(c) To have an adequate maturity distribution
(d) To keep the Government bond market orderly

SCARCITY CREATED

The Treasury under the pattern of financing to be used in the Seventh War Loan drive, has created a great scarcity of intermediate and long term issues that can be bought by the commercial banks. . . . This has caused a sharp increase in the price of Government securities, especially the bonds. . . . As a result stability has been taken out and speculation put into the Government bond market, which has been driven up to levels which if not maintained, may have an adverse effect on future War Loan Drives. . . . All of which leads to the question as to how the new financing policy of the Treasury should be interpreted. . . .

The opinion is held in certain quarters, that either this policy is largely opportunistic, with temporary advantages, or the Treasury is preparing a method of financing that has heretofore not been used in the United States. . . .

POLICY SEEN FAULTY

If the former is the case, it is believed that the Treasury has not done as good a job as it might have, since it is indicated that this new policy could cause considerable disturbance in the Government bond market. . . . Also the desired aim of reducing the debt burden may not be achieved. . . .

On the other hand if the Treasury is preparing the way to alleviate the debt burden at the expense of the banks, the scheme of the Seventh War Loan financing appears to be quite ingenious. . . .

INCREASE SHORT-TERMS

It will increase the supply of short-term Governments owned by the banks and this will make it easier for the Treasury to have these institutions absorb special obligations, when the ones they now hold mature. . . . Even if this is the case it is still highly doubtful that the time is now opportune for such a drastic change in policy. . . . It is believed that the time for such a move, namely, to materially increase the floating debt, would be when the return flow of currency and the increase in the monetary stock of gold creates large excess reserve balances and accordingly a more favorable market for short-term Government obligations. . . .

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Walter Raynor Dept. Mgr. for John Douglas

OMAHA, Neb.—John M. Douglas announces that Walter V. Raynor has become associated with his organization as manager of the municipal department and the removal of offices to 530 Insurance Building on May 1.

Mr. Raynor was formerly an officer of Robert E. Schweser Company and prior thereto was in business for himself in Omaha. In the past he was an officer of United States National Company.

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