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Bretton Woods Pact Revision Likely

By HERBERT M. BRATTER

In Belief That Bretton Woods Agreements Will Be Amended, Moves Are Now Underway to Find a Least Common Denominator on Which Proponents and Critics Can Agree. First Change Sought Would Limit Fund's Activities to Short-Term Operations; Next to Harmonize and Unify Operations of Fund and Bank, and, Lastly, Setting Up of American Council on International Financial Policy to Guide Policy of Our Representatives on Fund and Bank.

WASHINGTON, D. C., May 9—While there is no chance of any Congressional amendment of the BW agreements that would require another international conference, there seems to be a likelihood that the enabling bill, HR2211, will be amended so as to bring about one or more of the improvements which have been suggested in various quarters. So long as these changes can be described as not fundamental, the Treasury Department is likely to go along with them.

Jesse P. Wolcott

Recently Congressman Jesse

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Price Prospects and Price Indexes

By ARYNESS JOY WICKENS*

Chief, Prices and Cost of Living Branch
U. S. Bureau of Labor Statistics

Government Price Expert Traces Wartime Trend of Prices and Concludes That Price Controls Have Been Generally Effective. Points Out, However, That Current Price Indexes Have Lost Their Significance Due to Wartime Production Changes and to Absence of Recording Changes in Equity Prices Such as Real Estate and Securities. Sees No General Price Decline After V-E Day and Expects Continuation of Price Controls to Prevent Runaway Prices of Consumers Goods, Though Rents May Rise Because of Higher Materials Costs. Long Term Outlook Held Uncertain and Confusing.

This war has already proceeded 16 months longer than World War I. Wartime controls are still operative. By any standard, prices have been well held in the U. S. in this war in comparison with the last war. The success of the efforts to keep prices down has come not from price control alone, although that has been of the utmost importance. It has been made possible also by control of the distribution of scarce commodities—first, the purchase by the Government of silk, tin, rubber and other imported raw materials for distribution through its own agencies in the early days of the war; the War Production Board's controls of materials under the controlled materials plan and

Aryness Joy Wickens

*Paper delivered before the New York City Chapter of the American Statistical Association, New York City, May 3, 1945.

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The Outlook for Prices

By DR. LEWIS H. HANEY*

Professor of Economics, New York University

Professor Haney Predicts a Post-War Boom With Rising Price Levels as Occurred in Other Post-War Periods. Holds Price Fixing Has Failed and That Government Price Indexes Give No Indication of Time Situation. Bases Predictions on Plethora of Money and Shortage of Goods, and Says That Policy of Holding "Average Prices" Down While Subsidizing High Cost Producers Stops the Largest Source of Supply Coming From Low Cost Producers. Points to Depreciation of the Dollar in Terms of Gold as Evidence of Inflation.

I venture to predict that, after a brief period of irregularity and possibly minor recession, there will be a post-war boom, and that in the course of this boom the prices of most goods will rise to a level much higher than that which now exists. I can find no good reason to doubt that in the post-war period which lies ahead there will be a pattern substantially similar to that which has occurred in other post-war periods.

Lewis H. Haney

*An address by Dr. Haney before the American Statistical Association, at Hotel Sheraton, New York City, May 3, 1945.

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Conflicting Social Concepts Prevalent at San Francisco

By A. WILFRED MAY

Special Correspondent of the Commercial and Financial Chronicle

Confused Attitude on Reparations. A. F. of L. and C. I. O. Split on Trade Union Congress. Fear of Soviet Influence and Domination, Together With American Opposition to "Special Groups," Will Keep Labor Representation Out of International Organization. Agreement of "Big Four" on Amendments Implementing "Justice" and "Law" Has Not Yet Settled Status of "Social and Economic Council," and Conflicting American and Soviet Economic and Social Concepts Still Prevail.

SAN FRANCISCO, May 9—The difficulties entailed in the reparations questions were discussed here yesterday by Edwin W. Pauley, American Ambassador to Russia, and President Truman's appointee as U. S. member of the Allied Commission on Reparations, in hurried conferences with Messrs. Stettinius, Eden, Molotov, Connally, and Bloom. . . .

A. Wilfred May

Before returning to the White House last night for a ten-day stay prior to his departure for Moscow, Mr. Pauley confirmed to your correspondent the need for stipulating payments entirely in goods and services in this post-war period; to avoid repetition of the financial breakdowns successively suffered after World

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Palyi Explains Shortcomings of Bretton Woods Pact

Extemporaneous Testimony Extremely Enlightening

International Banking Expert Tells House Committee the International Monetary Fund Will Fail to Accomplish Its Purpose. Sees Impossibilities of Practically Distinguishing Between Short-Term and Long-Term Capital Credits. Criticises Provisions Permitting Exchange Controls During Transition Period. Holds Financing of Commodity Credits Can Be Effected Privately, and That Credits Granted for Other Purposes When There Are Permanent Disequilibria in Balance of Payments Will Be Risky and Unsound. Says Nationalistic Sentiment and Dream of Imperial Unity in Great Britain Will Lead to Desire of Independence in Exchange Control and Continuation of Sterling Bloc. Recommends a More Flexible System of Exchange Regulation.

Dr. Melchior Palyi, international monetary and banking expert, who has had practical experience in Europe in regulating international money and exchange controls, and recently spent a month in Great Britain studying economic conditions and political sentiment there, appeared as a witness before the House Banking and Currency Committee on May 3, and gave testimony regarding the Bretton Woods Proposals. His prepared statement submitted to the Committee appeared on the first page of "The Chronicle," April 26, 1945. Dr. Palyi in the words of Congressman Smith made "an excellent presentation" of the subject, and his testimony has been commented on as the most searching analysis of the whole project that has yet been presented. For this reason, we are pleased to publish the following excerpts from his extemporaneous testimony.

Dr. Melchior Palyi

Mr. Palyi: I would like to begin with the personal statement, if I may, that I whole heartedly agree with one objective of the Bretton Woods agreements, which is emphasized in those agreements, namely, the objective to stabilize currencies and eliminate disequilibrium in the international balances of payments.

There are, however, other objectives mentioned in the introductory paragraphs of both agreements, with which I do not agree. But that one objective, I think, is the essential one, most desirable,

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Dempsey Named to Head Municipal Bond Club

L. Walter Dempsey of B. J. Van Ingen & Co., Inc., has been nominated to head The Municipal Bond Club of New York for the year 1945-46. The report of the nominating committee, which has been filed with the Board of Governors, also proposes John J. Clapp Jr. of R. W. Pressprich & Co. for Vice-President; David H. Callawey of First of Michigan Corp., for Secretary; Darnall Wallace of Coffin & Burr, Inc., for Treasurer, and Winfield F. Stephens of Hemphill, Noyes & Co., and Charles E. Weigold of Chas. E. Weigold & Co., Inc., for members of the Board of Governors. Election of officers is scheduled for June 8, at Bankers Club.

Some Aspects of Investments In Railroads

By SAMUEL S. HALL, JR.*

Vice-President, New England Mutual Life Insurance Co.

Insurance Official Maintains That Despite Large Increase in Railroad Bond and Stock Prices, There Are Good, Though Narrower, Possibilities of Further Advancement. He Points Out Factors Affecting Future Values and Stresses Importance of Reduced Debts as Enabling Rails to Withstand Lower Earnings. Says There Should be No Worry About Maintenance of Rail Traffic, if National Income Is Kept Up, Though There Will Be Increasing Truck and Air Lines Competition, and He Looks for Better Operating Ratios Due to Greater Efficiency Even Though Wage Rates Rise. Calls ICC One of Best Regulating Agencies, But Insists That Public Policy Must Assure Profits, if Railroads Are to Continue in Private Ownership.

It is important to all of us to look carefully and thoughtfully at the position of the railroad securities as a field of investment. In spite of many extremely large increases in prices of both bonds and stocks, this industry may still offer the most attractive medium of any class; but if not, many prices have now so advanced that sales may be in order in the near future. There has been no wider range of opinion and psychology in the last few years than here. Whether what has happened market-wise, or what action has been taken on such securities in the past, was right or wrong, was justified or not, should not be the primary determinant. If the investor is to have the benefit of our best judgment we must see that it is calm reasoned opinion based on all the facts with our best guess as to what the future may offer.

Samuel S. Hall, Jr.

Some of you probably have been happy because you have not had much to worry about in this section of your portfolios. That may have been because you did not own many rails, because you sold, or because you happened to have the "right" ones. Others of you have been through all the trials and headaches of trying to figure out what to do next. Some have been patiently waiting the turn of events but doing little about it. A few of you have for one reason or another forged ahead and added to your hold-

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*A paper prepared by Mr. Hall for the 26th Mid-Winter Trust Conference, Trust Division, American Bankers Association.

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

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

Dean Madden Points to Possible Legislation to Reduce Bank Profits

Because Banks Hold Large Portion of Government Debt, Holds Attempt May Be Made to Ease Debt Burden at Expense of Banks. Constant Refunding of Short Term Obligations Through Banks Will Force Treasury to Keep Discount Rates Low and Create Serious Economic Consequences

A bulletin entitled "The Public Debt and the Banks" issued May 3 by Dean John T. Madden, Director of the Institute of International Finance of New York University, states:


Dean J. T. Madden

The holding of a large portion of the public debt by the banks and the fact that the earnings of the banks are to a large extent derived from Government obligations have raised a number of questions which are of great importance not merely to the future of the banks and the money market, but also to the entire economic system of the country. The questions may be briefly summarized as follows: (1) What will be the attitude of Congress particularly in the post-war period, when the pressure to reduce taxes is bound to be great and when the expenditures of the Federal Government will be much larger than ever before in peacetime? Will Congress endeavor to alleviate the debt burden at the expense of the banks? (2) What will be the attitude of the monetary authorities, i. e., the Board of Governors of the Federal Reserve System and the Treasury, toward such a policy? (3) What measures could be taken to alleviate the debt burden at the expense of the banks? (4) What would be the economic con-

(Continued on page 2085)

Henry J. Kaiser Plans Huge New Home and Community Project

Envisages Project as Providing Jobs for Kaiser Shipyard and Other War Workers—Homes Would Be Fully Equipped, Including Electronic Gadget for Dust and Germ Removal.

SAN FRANCISCO, May 9—The resourceful Henry J. Kaiser today staged his own special V-E celebration by completing the details of a giant new enterprise for home and community building. If Government restrictions on building and building materials are lifted promptly, Mr. Kaiser assured the representative of "The Chronicle," post-war employment problems on the West Coast will be immeasurably alleviated. Not only thousands of displaced Kaiser shipyard workers, he said, but other war workers on the West Coast, immediately and nationally after he gets into production, will be enabled to transfer directly from war weapons to homes.


Henry J. Kaiser

Mr. Kaiser estimates the national production of homes at two million houses per year, of which he expects to build at least 100,000. With Government cooperation on relaxation of controls he maintains he can turn out 50,000 in 1945.

These homes will cost from $4,000 to $5,000 and will be aimed at providing housing accommodations for the $1,500-$2,000 wage group, and will carry full financing arrangements. They will be fully equipped, including an electronic gadget for dust and germ removal.

A Distinguished Banking Institution Is Acquitted

Verdict Acquitting Chase National Bank of Violation of Order Freezing Foreign Funds Should Focus Attention on Desirability of Having Congress Stop Prosecutors and Administrative Bodies From Carrying Out "Smear Campaigns" by Issuing Releases Merely for the Purpose of Influencing Public Opinion.

After deliberating for almost 12 hours, a jury in the United States District Court for the Southern District of New York, before Judge Simon H. Rifkind, brought in a verdict finding the Chase National Bank innocent on all counts of two indictments, which charged a violation of the Presidential order freezing funds of foreign nationals.

That there should have been an indictment at all in the first instance brings several matters up for consideration.

From the testimony as a whole, it was clear the Chase National Bank was making an honest and whole-hearted effort to properly administer the regulations applying to the freezing of funds of foreign nationals.

In the administration of the affairs of so large an institution, the creeping in of some slight and unintentional error will occur; but an indictment for conspiracy presupposes a criminal intent, and it must have been apparent that so respected an institution as the Chase National Bank had no wrong intent of any kind. Hence, the verdict of not guilty was a popular one.

It is unfortunate and regrettable that an institution with so

(Continued on page 2081)

Have Stock Prices Discounted Reconversion?

Customers Brokers Hear a Symposium by the Staff of Argus Research Corporation. Harold B. Dorsey, Economist, Anticipates an Unusually Selective Stock Market in Months Ahead.

The Customers Brokers Association on May 1 listened in the Board of Governors Room of the New York Stock Exchange to a staff symposium of the Argus Research Corporation of New York dealing with the question: "Have Stock Prices Discounted Reconversion?". The discussion was opened and concluded by Harold B. Dorsey, the economist of the Argus Research Corporation.


Harold B. Dorsey

"The subject assigned to us for discussion before the Customers Brokers Association was 'Have Stock Prices Discounted Reconversion,'" Dr. Dorsey began. "Since so much could be said on reconversion alone," he continued, "it is necessary to dismiss other relevant factors by merely mentioning their presence. It is taken for granted that all will recognize the other extremely important items such as the tremendously strong money situation, the presence of huge pent-up demands to be satisfied in the post-war period and the recent change in the domestic political picture. Furthermore, we must presume that, for economic purposes, the war in Europe has been brought to a victorious conclusion but that the war in Japan will continue for an indefinite period.

"All of these items have a direct bearing on the short-term and

(Continued on page 2064)

THE BATTLE HYMN OF THE REPUBLIC

Mine eyes have seen the glory
Of the coming of the Lord;
He is trampling out the vintage
Where the grapes of wrath are stored;
He hath loosed the fateful lightning
Of His terrible swift sword;
His truth is marching on.

The Future of Investment Business

By JOHN A. STRALEY*
Vice-President, Hugh W. Long & Co., Inc.

Investment House Executive Holds That the Future of the Investment Business Will Depend, First Upon the Ability of the Investment Banker to Carry Out the Function of Providing Funds for Deserving Business, and Second, the Judgment Used in Placing the Dollars Which Come to Bankers for Sound Guidance. Stresses Post-War Importance of Small Investor, and Warns Against "Pitfalls" in Over-Optimism and Getting Careless. Urges Better Education for Careers in Finance.

On an occasion of this kind there is always the temptation to pontificate on such subjects as the Gold Standard, the San Francisco Conference, Dumbarton Oaks, Inflation, the recent change in the White House, what the Stock Market will do and when the war will end, as well as talking about the investment business. However, this last subject is closest to all of you. With your permission, let's throw all the others out the window.


John A. Straley

There could not be a subject of more vital concern to every man in this room than our post-war investment business. It means not only his own future, but that of the business as a whole for the next 20 years. What becomes of the investment business in this country during the next two decades may well depend upon two things.

First, the ability of the investment banker to carry out his traditional function of providing funds for deserving business—acting as liaison between industry needing dollars and the investible surplus of our nation.

That is the side of our business the public rarely knows and seldom if ever appreciates, but it is one in the consummation of which all of us can take a justifiable pride. Despite the time and effort the investment fraternity has ungrudgingly given to War Loan drives, new financing continues at record levels.

A Basis for Judgment

The second phase of our business—and it is by this phase that

*An address by Mr. Straley at the annual dinner of the Rochester Bond Club, Rochester, N. Y., May 4, 1945.

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Peter Byrne Heads SEC New York Regional Office

The Securities and Exchange Commission has announced the appointment of Peter T. Byrne as Regional Administrator of its New York Regional Office.


Peter T. Byrne

Mr. Byrne, a native of New York, first became associated with the Commission in 1934 as an Accountant Investigator on the staff of the New York Office. In 1937 he was made a Supervisor on the staff of the Trading and Exchange Division in the headquarters office, and in 1939 was appointed to the position of Assistant Regional Administrator of the New York Regional Office. Since 1942 he has been the Assistant to the Chairman, Ganson Purcell.

Before coming with the Commission Mr. Byrne who is a Certified Public Accountant (N. Y.), was associated for 10 years with the firm of Hyland & Gregory, in New York. He is 39 years old.

Cummings Co-Mgr. of Bear, Stearns in Cgo.

Bear, Stearns & Co., members of the New York Stock Exchange, announce the appointment of Patrick J. Cummings as Co-Manager of their Chicago office, 135 South La Salle Street. Mr. Cummings up to now has been in charge of the Bond Department of the Chicago office.

NSTA Notes

BOND TRADERS CLUB OF SEATTLE

The Bond Traders Club of Seattle, due to the manpower shortage, has had to discontinue their monthly meetings. On March 21 however, they had a very interesting and well attended meeting at which time Mr. Alex Gould, formerly with Wm. P. Harper and Sons in the Trading Department, told the meeting of his interesting experiences in the North African and Sicilian campaigns.

Dealer-Broker Investment Recommendations and Literature

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

Attractive Railroad Situations—Listed in the current **Railroad Securities Quotations** issued by **B. W. Pizzini & Co.,** 25 Broad Street, New York 4, N. Y.

Market Opinion—General discussion—**Bennett, Spanier & Co., Inc.,** 105 South La Salle Street, Chicago 3, Ill.

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.

Reconversion and Post-War Prospects — Booklet discussing outlook, with particular reference to certain selected industries—**J. Arthur Warner & Co.,** 120 Broadway, New York 5, N. Y.

Security and Industry Survey—A quarterly analytical guide for investors—**Merrill Lynch, Pierce, Fenner & Beane,** 70 Pine Street, New York 5, N. Y.

Tobacco Companies—An appraisal of their post-war outlook—**Thomson & McKinnon,** 231 So. La Salle Street.

Aetna Casualty & Surety Company—Analytical memorandum—**Mackubin, Legg & Co.,** 22 Light Street, Baltimore 3, Md.

Also available are circulars on **American Surety Co., Fire Association of Philadelphia, Fireman's Fund Indemnity Co., Glens Falls Insurance Co., Globe & Rutgers Fire Insurance Co., Hartford Fire Insurance Co.,** and **Northern Insurance Co.**

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

American Maize-Products Company — Memorandum — **Bristol & Willett,** 115 Broadway, New York 6, N. Y.

American President Lines, Ltd.—Timely statistical report—**Kaiser & Co.,** 20 Pine Street, New York 5, N. Y., and Russ Building, San Francisco 4, Calif.

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

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

Central 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.

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

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.**

Dayton Rubber Manufacturing Co.—Discussion of attractive possibilities of the common stock as a means of participating in the long-term growth of a branch of the rubber industry—**H. Hentz & Co.,** 60 Beaver Street, New York 4, New York.

Also available a leaflet of **Research Comment,** and the **Fortnightly Investment Letter.**

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.

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Public Utility Securities

Holding Company Plans

A number of utility holding company integration plans are now before the Securities and Exchange Commission or the courts for decision or findings. Progress recently has slowed down somewhat, following a "burst of activity" a few months ago. The following comment is designed merely to give a brief summary of the present situation with respect to the more important holding companies.

North American presented a rather elaborate plan to the SEC in 1943, which the Commission has never acted on. The company recently decided to sell a substantial part of its Pacific Gas common stock holding, using proceeds to retire outstanding 6% preferred stock at the call price. The Supreme Court may hear (next fall) the company' appeal from the SEC "death sentence," long delayed by lack of a quorum in the court. This would doubtless settle the constitutionality of Section 11, which the court has never passed upon.

The five Electric Bond & Share sub-holding companies are in various stages of progress. American & Foreign Power's recap plan was presented to the SEC some time ago, but no opinion has yet been rendered. National Power & Light's dissolution appears to be nearing consummation; the principal problem has been the readjustment of plant account and (if necessary) the capital structure of Pennsylvania Power & Light. It was recently rumored that National might propose issuing subscription rights (to its stockholders) for the stock of Pennsylvania, such subscriptions being designed to raise enough money to scale down the latter's debt. There has been no confirmation of this, however. Once the Pennsylvania situation is adjusted a distribution of National's holdings to its stockholders will be in order.

Electric Power & Light has solved at least half its integration problem, through the sale of Idaho Power and recapitalization (after long delays) of United Gas Corp. Electric P. & L.'s own recap plan is expected to be filed some time this year. There are rumors that a new system in Texas may be evolved through a combination of subsidiaries of Electric P. & L. and American P. & L., but nothing official has been forthcoming. American P. & L. has a number of subsidiary readjustments to iron out before it can complete an integration program. Proposals for a one-stock recapitalization have made little apparent headway with the SEC.

Commonwealth & Southern's plans for an all-common capitalization, dividing assets on an 85-15% basis between the two classes of stockholders, has met with delays, and timing is difficult to gauge. The holding company would retain control only of the Southern subsidiaries, the Northern being distributed to stockholders.

Middle West plans to sell part of its system, distributing the cash to stockholders. While the top company has been simplified, the sub-holding companies (principally Central & Southwest) present many problems with respect to recapitalization and possible subordination of Middle West's interest.

Cities Service's plans have been moving somewhat slower than the Street had hoped. Cities Service Power & Light and Federal Light & Traction have, it is true, made considerable progress toward meeting SEC requirements, but many problems apparently remain to be settled before the top company can announce a major plan for a bond refunding, settlement of preferred stock arrears, and disposal of all utility interests. It seems likely that this program may go over to 1946, unless a bond refunding should be carried out ahead of the other steps.

The trustees of Associated Gas & Electric are making good progress with their major recapitalization plan and the simplification program for the major sub-holding company, NYPANJ. A temporary board of directors has already been proposed for the "surviving company," to function until the first annual meeting. A great deal of system refunding and rehabilitation has been effected.

American Water Works has made no active move recently toward revising its integration plan, filed with the SEC nearly eight years ago. Due to market conditions the proposed elimination of the major sub-holding company, West Penn Electric, has proved impracticable thus far.

Columbia Gas & Electric proposed a recapitalization-integration plan some time ago, which included sale of the electric properties. President Hickey of United Corp., which owns a substantial block of common stock, objected to the plan. A protective committee for common stockholders, currently being formed, may present a third plan. The SEC has not indicated its findings.

Niagara Hudson Power's overall merger-recapitalization plan has apparently been abandoned. Major interest now centers about the anticipated compromise between the two recap plans for the important sub-holding company, Buffalo, Niagara & Eastern, and its possible effects on two junior securities—B. N. & E. $1.60 second preferred and Niagara Hudson common.

United Light & Power is currently being dissolved, but the sub-holding companies — United Light & Railways, Continental G. & E., American Light & Traction —have made only moderate progress toward final integration. However, the system is conservatively set up and there are no major problems.

Standard Gas & Electric's plan was approved by the SEC last fall, but the Federal Court at Wilmington refused to confirm it, Judge Leahy holding that bondholders should receive $1,000 cash instead of a package of cash and securities. The SEC is appealing to a higher Federal court.

United Gas Improvement has substantially completed a liquidation program. It may continue in existence as an investment trust. The old Utilities Power & Light system (now Ogden Corp.) is also about 90% liquidated, following recent sale of Laclede Gas.

United Corp. wants to remain in existence as an investment company and is making progress toward such a basis. A second plan for retiring preferred stock, by an exchange for Delaware Power & Light, is now before the SEC.

Good progress has been made toward liquidation of some of the smaller holding or investment companies, such as Midland United and Midland Utilities, but space prevents giving further details.

Tomorrow's Markets Walter Whyte Says—

Post V-E Day markets may turn down. Depends on whether inflation or return to "normalcy" occurs. Stops will take care of present holdings.

By WALTER WHYTE

The indications of a renewal in the upsurge evident last week have again been soaked up like a shallow pool of water in dry sand. Based on what has happened in the market in last few days there is enough cause to look for bomb shelters. At least it would be wise to know their location if nothing else.

* * *

Under present conditions, however, it is next to impossible to be specific on one day's, or even three days' action. For time and again a dreary performance one day will be followed by an exhilarating one the next. The result is confusion and hardly tends to lead to any hard and fast decisions, particularly where stocks with respectable profits are concerned.

* * *

On a long range basis the market acts okay. The little ripples that are always part of a major movement may seem disquieting. Yet long pull holdings are definitely preferred to cash. This is always the case in inflationary periods. And anybody with a knowledge of the rudiments of economics can't call this anything else but inflation. Reducing inflation to its obvious application you don't have to go any further than your local butcher, or the corner grocery to see that it isn't something mysterious which may be around any mythical corner. It is here right now.

* * *

Practically everything from labor to goods has been affected by inflation. The only thing which has not is the common stock. True, stocks have advanced in the last few years. But compare that advance with the rise in consumer goods and services and you'll see that the rise in stock prices is small in comparison.

* * *

But while all the above is comfortable reasoning for long pull holding it's dangerous for the trader. Stocks, in the long run, will reflect basic conditions but basic conditions have a nasty way of changing and no amount of foresight or eye-peering study of balance sheets and income statements will disclose this change.

* * *

The stock market, however, does hint at coming events. Sometimes these may mean higher prices, sometimes lower ones. But higher or lower markets have a faculty of forecasting them far enough in advance for the initiate to take advantage of. This is one of the reasons that news when it happens, seldom affects the market; or at least it affects it less than usually expected.

* * *

V-E Day is here and there is all kinds of news in the air. Usually somebody knows what the news will be and how it will affect prices. This knowledge is translated into stock market action. But with all the currents and cross currents present today, the market seems to be at a loss. This brings us back to the opening paragraph that there is little consistency in present day markets.

* * *

Various individual issues show up while others show down. As we are more directly concerned with stocks than the stock market my advice is to hold all positions previously recommended. This doesn't mean that all caution can be thrown to the winds. So stops should not be overlooked.

* * *

Here is the current stock list, price bought, approximate current price and their stops:

* * *

Hudson Motors, bought at 18, now about 29, stop 25. Jones & Laughlin, bought at 29, now about 33, stop at 29. Phelps Dodge, bought at 27, now about 28, stop at 27½. U. S. Rubber, bought at 56, now about 59, stop at 57. U. S. Steel, bought at 59, now about 69, stop at 65. And last week's recommendation, Walworth bought at 11, where it is now. Stop should be kept 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.]

Forms Gruss & Co.

Joseph S. Gruss and Horace Silverstone, member of the New York Curb Exchange, have formed Gruss & Co. with offices at 115 Broadway, New York City. Mr. Gruss was formerly an officer of Inter-Continent Transfer & Exchange Corp., and was a partner in Gruss Bros.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 2057)

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

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.

Howell Elec. Motors—Circular—**Adams & Co.**, 231 South La Salle Street, Chicago 4, Ill.

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.

Marmon-Herrington Co., Inc.—Booklet summarizing outlook and possibilities—**Straus & Blosser**, 135 South La Salle Street, Chicago 3, Ill.

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

Morris & Essex—Descriptive circular—**Adams & Peck**, 63 Wall Street, New York 5, N. Y.

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

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.**

Sioux City Gas & Electric Co., and **Iowa Public Service Co.**—Discussion of effect of a possible merger—**G. A. Saxton & Co., Inc.**, 70 Pine Street, New York 5, N. Y.

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.

With Denault & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**James R. Downing** is now affiliated with **Denault & Co.**, Russ Building. Mr. Downing was previously with George H. Grant & Co., and H. R. Baker & Co.

Railroad Securities

Erie Railroad

Recent developments, particularly with respect to its refunding operation, have focussed attention on Erie preferred and common shares.

Erie went into receivership Jan. 18, 1938 and emerged in the latter part of 1941, one of the quickest of all Section 77 reorganizations. In this reorganization fixed debt was reduced from $314.6 million to $150.57 million and including the Income Mortgage 4½s to $201.57 million. Fixed charges were reduced sharply in this reorganization from $13.86 million to $5.89 million and including contingent interest, but excluding capital fund and sinking funds, to $8.18 million. However, $5.89 million does not include fixed charges in their entirety, since there were $886,000 of lease line rentals not included. Since the reorganization Erie has gradually pared down its debt. At the end of 1944 total interest bearing debt, including the income 4½s, amounted to $191.14 million and total fixed charges, including rent for leased roads and other charges, to $5.97 million and including contingent interest to $8.26 million.

Following the recent financing whereby $33.9 million series F 3⅛s 1990, and $40 million series G 3⅛s, 2000, were sold at prices slightly above par, fixed charges will be at the rate of $4.96 million, a reduction in slightly over two years of 26.8%.

Erie is a very efficiently operated property, tapping the rich industrial north central region. Emerging from reorganization with a reduced capitalization, this carrier has been handicapped by a very low tax base, with the result that Erie's earnings on the preferred and common stocks have contracted sharply from their 1942 peak. Whereas earnings on the preferred and common in that year amounted to $36.30 and $5.04, respectively, in 1944 they declined to $18.90 and $2.30, respectively. Because of the large amount of Federal taxes, which in 1943 amounted to $17.55 million and in 1944 to $11.82 million, Erie's security holders are provided with a cushion against contraction of earning power when traffic declines in the post-war period. The extent of the tax burden is best indicated by comparing the tax burden for 1943 and 1944, namely $17.55 million and $11.82 million, respectively, with net operating income for these two years of $19.80 million and $16.32 million, respectively.

Earnings for the first quarter have shown a substantial decline, brought about by unusual operating expenses incidental to very heavy snow removal costs in the Buffalo area for the months of January and February. Earnings for the full year, however, should compare favorably with those of 1944 since, as previously indicated, the heavy tax burden will provide a substantial cushion.

Now that the company's financial problems have been more or less solved, with its maturities properly spaced and its first mortgage bonds refunded on a lower coupon basis, it would appear that the company can now take steps to increase its dividend. Furthermore, when following VJ Day excess profits taxes are eliminated Erie's earning power will in all probability revert to a level of approximately $4 per share, which would permit distribution of at least $2.50 per share.

The 5% preferred is attractive for satisfactory yield and probable further appreciation, and the common stock represents one of the most attractive equities in the railroad field for long-term holding.

Real Estate Securities

Interim Report of Savoy-Plaza, Inc. Shows Improvement

The Savoy-Plaza, Inc. has recently reported to holders of Income Bonds and to holders of Class "A" Common Stock, indicating that a minimum of $100 per $1,000 bond will be distributed as interest on Oct. 1, 1945. We quote from the report:

"In order to keep you posted on the progress made by your Corporation we take pleasure in bringing the following figures and information to your attention:

	Nine Months Ending April 30 1945 (Unaudited)	1944
Total Income	$2,741,209	$2,580,071
Operating Expense	1,932,595	1,820,515

After all expenses, taxes, insurance and first mortgage interest there has been earned in:

Nine Months Ending April 30 1945 (Unaudited)	1944
$714,502	$672,176

This is at the rate of about 13% on your bonds. Should the same relative earnings continue through the remaining three months of this fiscal year, you should receive a minimum return of $100 per $1,000 bond on Oct. 1, 1945.

In this connection it will be of interest to you to know that as of April 30, 1945, arrears of interest amounted to $146.50 on each $1,000 bond, which will be paid you if and when earned.

You will be further interested to learn that the first mortgage has been reduced to $2,000,000 from $2,800,000 only three years ago. The annual interest charge now at the rate of 4½% has therefore been reduced from $140,000 to $90,000. Arrangements have been made and are awaiting execution whereby the rate if interest will be reduced further to 3¾% on Oct. 1, 1946, bringing the annual interest charge down to $75,000."

Company owns in fee about 55,228 square feet of land, fronting 201 feet on east side of Fifth Avenue, between 58th and 59th Streets, with depth of 275 feet, New York, N. Y., and 33-story apartment hotel and 6-story addition known as The Savoy-Plaza. Main building completed in 1927, and addition officially opened in October, 1928, contain approximately 1,000 rooms and 21 stores and shops.

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.—**Harold T. Morris** has become associated with the Government bond department of **Schroder Rockefeller & Co., Inc.**, 48 Wall Street.

(Special to THE FINANCIAL CHRONICLE)
BEVERLY HILLS, CALIF. — **Charles M. Peters** is with **Atlas Securities, Inc.**, 9494 Wilshire Boulevard. Mr. Peters was previously with Maxwell, Marshall & Co. and its predecessor, Wyeth & Co.

(Special to THE FINANCIAL CHRONICLE)
BEVERLY HILLS, CALIF. — **Frederick C. Seder** has joined the staff of **Boston Commonwealth Corp.**, 9631 Wilshire Boulevard.

(Special to THE FINANCIAL CHRONICLE)
CHARLOTTE, N. C. — **Fred Hargraves Hicks** is with **J. S. Bache & Co.**, Johnston Building.

(Special to THE FINANCIAL CHRONICLE)
HARTFORD, CONN.—**John J. Colloty** has become affiliated with **Cooley & Co.**, 100 Pearl Street. Mr. Colloty was formerly with Fahnestock & Co. and the R. F. Griggs Co.

(Special to THE FINANCIAL CHRONICLE)
HOLLYWOOD, CALIF. — **Will E. Smith** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, 6361 Hollywood Boulevard.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES—CALIF. — **Elmer E. White**, in the past with the District Bond Company, is now connected with **Akin-Lambert Co.**, 639 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **Joseph W. Gustavson** has become associated with **Blyth & Co., Inc.**, 215 West Sixth Street. Mr. Gustavson was formerly with Bankamerica Co. and H. R. Baker & Co.

LOS ANGELES, CALIF.—**Fred Glenn** is now with **G. Brashears & Co.**, 510 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Henry A. Boulanger** has been added to the staff of **Fewel & Co.**, 453 So. Spring Street. Mr. Boulanger was formerly with Maxwell, Marshall & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Gordon E. Buckhout** has rejoined the staff of **Samuel B. Franklin & Co.**, 215 West Seventh Street. He has recently been with Bankamerica Company.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Louis B. Barnes** and **Arthur C. Karr** are with **Van Denburgh & Kerr, Inc.**, 523 West Sixth Street. Both were formerly with Conrad, Bruce & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Don V. Raines** is with **Wagenseller & Durst, Inc.**, 626 South Spring St.

(Special to THE FINANCIAL CHRONICLE)
MIAMI, FLA. — **Victor Moore** has poined the staff of **Tellier & Co.**, 42 Broadway, New York City. He was previously with Blair F. Claybaugh & Co.

(Special to THE FINANCIAL CHRONICLE)
MIAMI, FLA.—**Darlington Davenport** is with **Thomson & McKinnon**, 117 N. E. First Avenue.

(Special to THE FINANCIAL CHRONICLE)
MIAMI BEACH, FLA.—**Charles Peter Fischer** is with **Blair F. Claybaugh & Co.**, Mercantile National Bank Building.

(Special to THE FINANCIAL CHRONICLE)
MILWAUKEE, WIS.—**Ralph E. Hawks** has been added to the staff of **Gardner F. Dalton & Co.**, 735 North Water Street.

(Special to THE FINANCIAL CHRONICLE)
NEW ORLEANS, LA.—**Richard S. Hayes** is connected with **Newman, Brown & Co., Inc.**, Hibernia Building.

(Special to THE FINANCIAL CHRONICLE)
OAKLAND, CALIF.—**Harold E. Hacker, Van V. Midgley** and **Fred B. Richardson**, all formerly with George H. Grant & Co., are now associated with **Mason Brothers**, Central Bank Building.

(Special to THE FINANCIAL CHRONICLE)
OAKLAND, CALIF. — **Dora McClelland** has joined the staff of **Frank Knowlton & Co.**, Bank of America Building.

(Special to THE FINANCIAL CHRONICLE)
PASADENA, CALIF.—**Raymond L. White** has become affiliated with **Bingham, Walter & Hurry**, Security Building.

(Special to THE FINANCIAL CHRONICLE)
PASADENA, CALIF.—**Eleanor G. Goodman** is with **William R. Staats Co.**, 311 East Colorado St.

The Future of Investment Business

(Continued from page 2056)

we are most likely to be judged—is what all of us in it, during the next five years, do with the billions of investment dollars which will come to us for sound guidance.

We have a great responsibility. On all of us depends whether the next generation will regard our business as a dignified and worthy profession, or whether that generation will grow up in the belief that Godambondman is all one word.

All of us in this business have been through a tough time. We have lived through lean years but now we are in sight of the Promised Land. We have seen the personnel of the business dwindle to a fraction of its former number. Right here in Rochester, according to "Security Dealers of Norta America," you had 68 dealers in 1929. In 1941—only four years ago—you had 43. Now you have 25. Your experience parallels that of other cities.

The men in the investment business today are a hard-bitten, experienced lot. The weaklings fell by the wayside in the '30s. Others are away in the armed forces. You who remain will be the first to feel the return of prosperity to our business.

80,000,000 Investors

I am not going to bore you with the familiar statistics about the billions the public has in cash, governments and bank deposits owned by our regular 10 million investors plus the 70 million who have become new investors through War Bonds. You will be here to see the results. You will profit from them because you have made the investment business a hobby.

There isn't a man here who has not learned by hard experience how to handle any kind of an account, from a substantial institution to a small investor. Each account deserves, and gets, the best service you can give it. The large professional buyer is important, but we will be judged largely during the next few years by the results we obtain for the new, small investor—right down to the widow's mite.

In discussing the investment business of today and tomorrow, it is not a case of "whither are we drifting," but one of determining how to take advantage of a wind and tide definitely in our favor. The unprecedent amount of money available in cash and War Bonds will make a ready post-war response to the appeal of profits, or of larger income. And—certainly—the recent change in Washington cannot by any stretch of the imagination be considered as a blow to the capitalistic system.

We know where we are going, but probably we should take a look at our own plans, and at some of the people who will be trying to come along with us.

Looking Ahead

First, our own plans. I think it was Schopenhauer who said: "If an ass looks into a mirror, you cannot expect an angel to look out." We must be careful in looking ahead. We have made mistakes and will doubtless make many more. We will have to stick to our knitting and not be drawn afield into activities for which our experience has not fitted us.

There will be pitfalls in our path as this business gets better and better. One will be the temptation to over-optimism, both as to our own results and those we promise our clients. Another will be the temptation to trade down quality in the holdings of our customers; that is, to sacrifice the investment value of portfolios as we try to keep up a record of profits.

A third, and important, pitfall will be that of regarding the business as "easy" as it improves, leading to a cynical or belittling attitude which could be fatally misleading to newcomers to our business who will look to us as examples.

I do not mean to imply that the path of the investment man will be all roses from here in. There will be competitition, and the better the business gets, the more there will be of it.

Post-War Competition

As I see it, this competition will divide into four main classes. First, there will be your present competitors. They require little comment. You know them. They know you.

Next will come the men you will welcome back from the armed forces. They will return with a certain aura of accomplishment, taking some of your accounts. But they will be a helpful addition to the manpower of the financial community. Their activities will create a wider interest in securities which should mean more business for you.

Third will be the younger men who, just as after the last war, will be attracted to the world of finance. They will be the "new blood" we need—the men who will some day take our places—the fellows who will go out and make the sales you and I would'nt get because we know in advance that "Mr. Whoozis doesn't buy that type of security."

Fourth, and I regard this as the worst and greatest competition of all, will be the marginal producers—the fly-by-night characters who will skulk back to skim what cream they can from the recrudescence of public interest in securities. You have seen many of them come and go. Some will be merely diligent but harmless opportunists. Others — interested only in the jingle of their 30 pieces of silver—will be totally unfit for the positions of trust they will presume to occupy.

Already the advance guard of this Black Legion is at work. In some cities, posing as War Loan representatives, they are busy right this minute telephoning people, noting their War Bond holdings and selling this information to dealers in sucker lists.

Attracting New Men

Despite all your coming competition there will be great opportunity. But with it all, what are we going to do about helping the right kind of young men to get into this business, and to help ourselves? Of the 60 million post-war jobs spoken and written about so glibly, surely the financial community will produce its share.

Every educational help will be given the newcomers. Right now in New York there is a move to set up a dealer-financed school for young men who will study mornings and work afternoons for the firms which are paying them while they learn.

You are familiar with the arrangements made on the Coast for courses to be given men who want to enter this business, and those who want refresher courses after returning from the war. In New York, similar arrangements are being made by the IBA for three-month courses at New York University. Based on the experience there, similar courses will be given in other cities.

"Toward Careers in Finance"

If you have not seen the IBA booklet called "Toward Careers in Finance," get a copy. It will give you ideas that will help you sell this business of ours to possible employees. The booklet tells nothing that you, as an experienced investment man, will call new, but it summarizes information a prospective salesman would find of real interest.

The IBA has sent copies to schools, colleges, vocational bureaus and libraries throughout the country and suggested to its members that they mail copies to their employees in the services, to be passed on to friends. Interested readers of the booklet are invited to list their names with the IBA, which will refer them to representative firms in such cities as the inquirers may select.

No one need fear for the future of the investment business. The people in it are looking ahead. Every one of us can help by encouraging new blood to enter the business, by our attitude toward it and by speaking of it—not as a mysterious arena of financial legerdemain — but as a hard-working, honest profession that need take off its hat to none.

If we keep these things in mind, I believe the success of every one of us during the next five years can be limited only by his own efforts.

Bond Club of Toledo Officers & Committees

TOLEDO, OHIO — The Bond Club of Toledo announces the election of the following officers, and the appointment of committees for 1945-1946:

Ford R. Weber

President—Ford R. Weber, Ford R. Weber & Co.

Vice-President—William Milne, Otis & Co.

Secretary—E. P. Liska, Braun, Bosworth & Co.

Treasurer — E. M. Carstensen, Ryan, Sutherland & Co.

Board of Governors: The officers and Oliver Goshia, Collin, Norton & Co.; Tom E. Cox, McDonald & Company, and Marvin Rorick, Spitzer, Rorick & Co.

Members of the committees are:

Entertainment: Norman J. Fields, Braun, Bosworth & Co., Chairman; E. M. Bancroft, Stranahan, Harris & Co.; E. F. Heydinger, Siler, Roose & Co.; Marvin Rorick, Spitzer, Rorick & Co.; F. L. Schroeder, Braun, Bosworth & Co.

Membership: Durwood C. DuBois, Stranahan, Harris & Co., Chairman; Carl F. Bargmann, Braun, Bosworth & Co.; Burt Ryan, Ryan, Sutherland & Co.

Legislation: Warren D. Williams, Ryan, Sutherland & Co., Chairman; Walter M. Braun, Braun, Bosworth & Co.; John S. Harris, Stranahan, Harris & Co.

Speakers and Publicity: Oscar Foster, Snyder, Wilson & Co., Chairman; J. R. Easton, Spitzer, Rorick & Co.; George Roose, Siler, Roose & Co.

Finance: O. J. Rowe, Siler, Roose & Co., Chairman; Orville W. Desmond, Stranahan, Harris & Co.; C. M. Yeasting, Ford R. Weber & Co.

J. L. Osborne With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—James Lyle Osborne has become associated with Merrill Lynch, Pierce, Fenner & Beane, 221 Montgomery Street. Mr. Osborne was previously manager of the investment department for Schwabacher & Co. Prior thereto he conducted his own investment business in San Francisco and was an officer of Blyth & Co., Inc.

Chicago Brevities

The official opening of the Seventh War Loan Drive this week and its continuance through June will serve as a brake to the flood of offerings that has poured into the corporate market since the first of the year. The brake wil be temporary, as numerous issues are now in preparation, according to LaSalle Street sources, which point to another large flood of new financing as soon as the drive ends.

A further distribution of shares of closely held corporations was indicated, such as the recent offer of 247,140 shares of Gibson Refrigerator Co.; the public offering of 160,000 shares of Wells-Gardner & Co.; the sale of 150,000 shares of Bell & Howell, and the new offering of 106,400 shares of Webster-Chicago Corp. scheduled for this week.

In Prospect

Some of the new financing which can be anticipated within the next month or two is the issuance of 40,000 shares of 4¼% $50 par preferred stock of National Tea Co., approved by stockholders last week. This will represent the second step in the company's refinancing plan to prepare and to provide funds for the modernization and eventual expansion of present facilities.

The first step was completed with the redemption of all of the 143,107 outstanding shares of old 5½% preferred with funds derived from $1,500,000 borrowed on notes.

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Following approval of reclassification of the company's common stock and a change in the firm name to Coleman Co., Inc., by stockholders on June 12, Coleman Lamp & Stove Co. plans to issue and sell 20,000 shares of new preferred some time in July.

* * *

Stockholders of Eversharp, Inc., will be asked to approve an increase in the authorized shares of common stock from 200,000 to 500,000 shares at their annual meeting. Outstanding shares, Martin L. Strauss II, President, stated would be split on a two-for-one basis, with the remainder of unissued shares available for issuance from time to time for such purposes and considerations as the board may determine.

The company has already filed a registration statement covering the issuance of $3,000,000 principal amount of long-term debentures convertible into common stock.

Eversharp has been enjoying record sales, and for the fiscal year ended Feb. 28 reported net income equal to $5.90 a share on 159,136 common shares outstanding, against $3.10 a share the year before on 127,448 common shares.

Financial circles also anticipate that additional shares of Galvin Manufacturing Corp. may soon come on the market, although, in approving an amendment to the articles of incorporation increasing the authorized number of shares from 500,000 to 1,000,000, the board stated that at the moment such a step was not being contemplated. Nor have discussions been held concerning the possible listing of the stock, now traded over-the-counter, it was stated.

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Rail Refundings

Speculation has arisen as to what further refunding may be anticipated on the part of the railroads with the disclosure by Ralph Budd, President, at the annual stockholders' meeting, that the Chicago Burlington & Quincy may refund its $40,000,000 principal amount of 3¾% debentures before the end of the year.

This issue represents the refinancing of the road's first and refunding 5% bonds, since retired, which it is now felt might be refunded with another issue bearing a lower interest rate—possibly 3%.

Should a new issue, replacing the 3¾% bonds prove feasible, other roads may follow suit, it is believed in some quarters.

* * *

The $57,500,000 of securities sold by Tennessee Gas & Transmission Co., a subsidiary of The Chicago Corp., was the largest piece of refinancing in years on the part of a company with earnings that could only be projected. Tennessee has been in operation

(Continued on page 2063)

Denver Firms Chicago Exchange Members

CHICAGO, ILL.—Four Denver investment firms were added to the membership of the Chicago Stock Exchange May 4. This represents another step in the expansion program of the Exchange. Those elected to membership are Donald C. Bromfield of Garrett-Bromfield & Co.; Gerald P. Peters of Peters, Writer & Christensen, Inc.; Earl M. Scanlan of Earl M. Scanlan & Co. and John J. Sullivan of Sullivan & Company.

N. Y. Port Authority to Open Chicago Office

Chairman Howard S. Cullman announced that the Commissioners of The Port of New York Authority at their regular meeting approved the establishment of a Chicago office of the agency to help prevent the divergence of Middle Western commerce to Gulf and various North Atlantic ports.

Howard S. Cullman

"One out of every 10 persons gainfully employed in the metropolitan area in peacetime is, directly or indirectly, dependent upon the port for a livelihood," Chairman Cullman declared. "It is important that this high level of port employment be maintained in the post-war years. The Port of New York must therefore be prepared to meet the competitive efforts of other American ports."

The Port Authority Chairman explained that in recent years, as a result of submarine activity, many steamship lines turned from New York to the Gulf ports, and many shippers have become accustomed to routing their freight away from New York to Mobile, New Orleans, and other ports. "These ports undoubtedly will do everything they can to retain the improved position they have acquired during the war," he said. "The Board of Commissioners of the Port of New Orleans established an office in Chicago about 12 years ago. Other public port agencies also maintain representatives there. The Chicago office of The Port of New York Authority will be similar to those port agency offices and will be staffed with a manager and a secretary. Shippers will be contacted and the office will work with railroads and steamship lines to assist them in routing freight through the New Jersey-New York Port."

Mr. Cullman stated that those residents of the metropolitan area who are dependent upon the port for a livelihood include an estimated 250,000 workers engaged in transportation and allied services, employees of steamship lines, railroads, trucking companies, marine departments of insurance companies, foreign trade divisions of banks, and the like. In addition, approximately 150,000 workers are normally employed in the refineries, assembly and bulk distributing plants located along the waterfront.

Mr. Cullman pointed out that the establishment of the Chicago office of The Port of New York Authority is in line with the statutory obligations of the Authority to "promote and protect the commerce of the Port of New York."

Chicago Brevities

(Continued from page 2062)

less than a year, its 1,265-mile natural gas transmission pipe line from the Corpus Christi, Tex., to the Appalachian region having been completed only this fall.

Proceeds of the financing will be applied to the retirement of the company's $44,000,000 first mortgage 4% notes and other debt, and to the settlement of certain construction costs.

* * *

Utility Earnings

Middle West Corp., which reported earnings for 1944 equal to $1.07 a share, against $1.21 a share in 1943, stated that the outlook for the electric light and power industry is contingent upon the removal of competition from "subsidized" Federal and State power projects.

Two Chicago utilities which reported favorable results from 1944 operations, as compared with 1943, are Commonwealth Edison Co. and Peoples Gas Light & Coke Company.

First quarter results were also up from the previous year, with Peoples reporting earnings of $1.87 a share for the quarter ended March 31, against $1.52 a share in the corresponding 1944 quarter, and Commonwealth showing a gain to 48 cents a share in the same quarter from 46 cents a share in the corresponding period a year ago.

* * *

Other Company Earnings

Other Chicago corporations showed varying results for the first quarter of 1945. Butler Brothers net income was up to 25 cents a share from 19 cents a year ago; Acme Steel Co. also reported a gain to $1,79 a share from $1.28 the year before, and National Tea Co. net before taxes was up to $392,201 from $78,879 in the corresponding 1944 period.

Declines were reported by Brunswick-Balke, whose profits fell eight cents to 19 cents in the first quarter of this year. Earnings of Westinghouse Electric & Manufacturing Co. were down to $1.25 from $1.43 in the first quarter of 1944, and Borg-Warner's net of 78 cents a share compared with 92 cents a share in the corresponding period a year ago.

* * *

Harold L. Pearson, Vice-President and Treasurer of Montgomery Ward & Co., who resigned shortly after the annual meeting of stockholders, stated his resignation had nothing to do with any disagreement over the company's labor policies. He was leaving, he said, because "management conditions has become intolerable."

Stockholders at the annual meeting overwhelmingly voted down resolutions presented by a minority group of stockholders protesting the management's handling of its relations with the War Labor Board.

Muter Co. Common Stock Offered at $5

An issue of 108,000 shares of common stock (par value 50 cents) of the Muter Co. was publicly offered May 9 at $5 per share by Hicks & Price, Chicago and New York. Of the shares offered 90,000 are being sold by stockholders and 18,000 shares represent new financing, the proceeds of which will be used by the company to augment working capital.

The company is an Illinois corporation, organized in 1929 under the name of Compo Mfg. Co. Company manufactures and sells to many radio manufacturers in the United States and Canada one or more of the following products: "Candohm", wire-wound resistors, variable resistors, push-button switches, slide switches, radio frequency transformers, choke coils, etc. It also manufactures Christmas tree outfits for chain stores and others. Net sales have grown from $296,522 in 1935 to $3,197,444 in 1944, and net income after charges and taxes from $64,927 to $112,343.

Ashland Oil & Refining Preferred Stock Offered

Public offering at $101.50 per share was made May 9 of 25,643 shares of Ashland Oil & Refining Co. 4¼% convertible preferred stock (par $100) representing the balance of 40,000 shares remaining after exercise of prior subscription and exchange rights offered to stockholders. The offering was made by an underwriting group headed by A. G. Becker & Co., Inc. The company proposes to use the additional funds for expanding crude oil production.

The new stock carries the right of conversion into eight shares of common for five years, into seven shares for the next three years and into six shares for the following three years, the conversion right expiring June 15, 1956.

Harold Brumfield Is With Hammill & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Harold J. Brumfield has become associated with Hamill & Co., Russ Building. Mr. Brumfield was formerly Vice-President of Conrad, Bruce & Co., with which he had been associated for many years.

Cecil Abbett Will Be Slayton Representative

LOS ANGELES, CALIF.—Cecil E. Abbett, vice-president of Slayton & Company, Inc., 111 North Fourth Street, St. Louis, Mo., will represent the firm in Los Angeles.

National City Bank Victory Exhibit

A unique "Forward to Victory" exhibit of more than 2,000 war mementos, contributed by members of the armed forces on leave from the National City Bank, was formally opened on May 8 by William Gage Brady, Jr., President of the bank. Many senior officers were present. The exhibit occupies practically the entire second floor at 52 Wall Street, and is attracting thousands in the financial district. Sponsored by the City Bank Club for the Seventh War Loan, the display will be open to the public without charge until June 30 and is dedicated to the 41 members of the National City organization who have given their lives in World War II.

Among the items is Ernie Pyle's helmet, a Paris street sign, "Adolf Hitler Strasse," and a negligee made from a parachute that saved a bomber pilot's life. Present at the opening ceremony were Margaret Hudson, first woman President of the 41-year-old City Bank Club, and members of the "Forward to Victory" Committee: Chairmen Marjorie Kemm and Walter J. Myers and Vice-Chairman Joseph G. Fahn.

Adams & Co. Opens New York Office

The Chicago investment firm of Adams & Co. has opened a New York City office at 25 Broad Street. Randolph P. Nason will be their representative. His association with Adams & Co. was previously reported in the Financial Chronicle of April 26.

Credit Men's Association 50 Years in Chicago

CHICAGO, ILL.—The Chicago Association of Credit Men is this entering upon its fiftieth year of continuous service. H. H. Faulstich, assistant credit manager of the First National Bank of Chicago, has been elected to the presidency of the Association.

Municipal News & Notes

The last five years have been "Golden Years" for most State treasuries, a survey by the Federation of Tax Administrators of State tax revenues for the 1940-44 period showed.

Total State revenues rose from $3,300,000,000 in fiscal 1940 to $4,100,000,000 in fiscal 1944—excluding unemployment compensation contributions—under the impact of defense and war spending which more than doubled the national income from about $80,000,000,000 in calendar 1940 to $160,700,000,000 in calendar 1944.

Income taxes, especially those on corporations, and general sales taxes provided the lion's share of the 24.2% increase. Total State tax collections would have increased even more if commodity shortages and rationing had not brought about declines in revenue from several important excises, especially motor fuel taxes and related license taxes.

Revenues from general sales taxes, motor fuel, alcoholic beverage and tobacco sales totaled $1,730,000,000 in 1940, followed by a sharp rise of 14.2% in 1941 to boost collections for these major excises to an all-time high of $1,970,000,000.

A slight decrease of 1.7% occurred in 1942, due to a decline in motor fuel tax revenues by $113,000,000, or 11.3%, which could not be offset fully by increases from other excises. By 1943 the downward trend was accelerated; collections from the major excises dropped to $1,820,000,000, or 6.1% below the 1942 level.

The trend was reversed during 1944, however; collections rose by 6.5% to yield $1,940,000,000—almost the same amount as in 1942. Although 1.7% below the 1941 peak, the 1944 collections from State sales, gasoline, liquor and tobacco taxes were 12.3% above the 1940 level.

The motor fuel tax produced the largest gross yields of any State tax in 1940 and 1941, more than all other major excises combined. By 1944, motor fuel revenues, though $28,000,000 above 1943 collections, were down to $747,600,000, a decrease of 25.6% below the all-time high of 1941 and of 18.2% below 1940.

General sales tax receipts on the other hand rose consistently through the five-year period; totaling $515,200,000 in 1940, they rose by 18.8% in 1941, 3.1% in 1942, 9.8% in 1943 and by 7.8% in 1944 over each preceding year, until 1944 collections surpassed 1940 collections by 45.1%. Totaling $747,500,000, general sales tax collections equalled almost exactly gross motor fuel tax receipts during 1944, although sales taxes were levied by only 23 States.

Alcoholic beverage receipts show an uneven development, somewhat similar to that of motor fuel taxes. After rising steeply from $196,700,000 in 1940 to $279,000,000 in 1942, they declined in 1943 to $256,200,000, due largely to an 18.9% decline in distilled spirits taxes, and to declining wine tax receipts. In 1944, however, they rose again to an all-time high of $292,000,000. The only liquor taxes to show an uninterrupted rise were those for beer—from $66,900,000 in 1940 to $113,000,000 in 1944. Monopoly State revenues are not included in these alcoholic beverage tax receipts.

Tobacco tax receipts increased by almost 50% during the five-year period, from $101,300,000 in 1940 to $151,600,000 in 1944. The latter figure, however, presents a slight decline from the high water mark of 1943, although three States—Delaware, Florida and New Mexico—began levying cigarette taxes during 1943. (The decline became much more drastic in January, 1945, and tobacco tax receipts of most States at present are far below usual levels.)

State income taxes increased from $364,700,000 during 1940 to $782,400,000 in 1944—a 114.5% increase.

With several State legislatures already adjourned, the Federation was able to draw a tentative picture of legislative trends prevailing as to State taxes. While thus far only one State seems to have permitted an important tax to expire—Delaware's gross income tax expired Dec. 31, 1944—most States continue the tax reductions and credits enacted in recent years. On the other hand, additional and emergency taxes imposed in previous years are being extended.

A tendency toward new or higher taxes appears to prevail with regard to excises. Motor fuel taxes were increased in three States—Idaho, Iowa and Oklahoma; cigarette taxes were adopted in Idaho, and subject to referendum in Oregon. Indiana and Utah increased their beer taxes, while Oklahoma raised its soft drink tax. New sales taxes, under consideration in at least four States, do not seem to be assured of passage, however. At least eight States have amended their insurance tax laws this year to remove discrimination against out-of-State insurers.

Among other significant enactments are the amendments of the corporation franchise tax laws of New York and New Jersey and New Jersey's law forbidding local taxation of intangibles.

Edgerton Wykoff & Co. Formed in Los Angeles

LOS ANGELES, CALIF.—Edgerton, Wykoff & Company, members of the Los Angeles Stock Exchange, has been formed to continue the business of W. J. Dunn & Company, acting as dealers and brokers in listed and unlisted securities. Officers are J. E. Edgerton, President; O. V. Wykoff, Vice-President and Treasurer; D. E. O'Brien, Secretary.

Earle L. Seeger is Manager of the trading department, Edward T. Dombroski is cashier and R. C. Williams, Jr., is in charge of bank and insurance stocks. Bruce R. Wallace and David D. Cushman are also associated with the new firm.

Formation of Edgerton, Wykoff & Co. was previously reported in the "Financial Chronicle" of April 26.

Have Stock Prices Discounted Reconversion?

(Continued from page 2055)

long-term outlook for earnings, dividends and security prices and it is only in an effort to delimit our subject that they are passed off so lightly.

"However, the subject that has been assigned to us is singularly appropriate at this particular time. In the first place, we find a broad tendency to presume that the period just ahead of us is to be the era of post-war prosperity. As a matter of fact, the next period really will be symbolized as the transition from a two-war economy to a one-war economy, and then to a peace-time economy. Obviously, this means a period of tremendous adjustments.

"In the second place, figures relating to the level of business activity have been relatively unimportant as an influence on stock prices for the past several years. It is only natural, therefore, that the close attention which is usually devoted to such data in normal times has fallen into the discard. We believe very strongly that it is time to get back in the habit of watching the business figures again. We hope that this will encourage a study of the details of the reconversion period because we feel quite sure that such figures will become a direct stock market influence in the near future.

"The 'piece de resistance' for our discussion is the FRB index and the various components thereof. We intend to use as few figures as possible to simplify our discussion. We are using as a base the figures for January, 1945, the latest for which full details are available. The present figures are probably changed very little from that date. We have studied each of the components of the index and then tried to project the figures to a period four or five months hence—let us say about September, 1945. It must be reiterated, because the presumption is very important, that we are presuming that the Japanese war will still be going on in September. If there were to be an earlier termination of that conflict, the adjustments undoubtedly would be more acute.

"We are showing in the accompanying table the number of points actually contributed to the total FRB index by certain selected components thereof, the items being selected by us as those which are likely to record the more important changes.

"At the present time, the FRB index is around 235 and, based on the January figures, 140 points of the total, or about 58%, represent classifications which have been heavily influenced by war activity, the remaining 94 points representing mostly production of non-durable goods, although this balance figure also includes the production of government arsenals. We want to direct attention to the importance in the index of the war-stimulated items.

FRB INDEX AND PROJECTIONS

	January 1945 Actual Points Contributed to Total Index	Est. September 1945 Points Contributed to Total Index	% Decline
Chemical production	19.8	15.0	24%
Iron and steel	21.7	17.1	21
Machinery	46.5	27.0	42
Transportation Equipment	41.8	22.3	47
Non-Ferrous metals and products	6.7	3.9	42
Rubber products	3.4	2.7	20
All other (mostly non-durable goods but including Government arsenals)	94.1	92.0	2
	234.0	180.0	23%

"It will be observed that the projection suggests a 23% decline in the total index during the next four or five months. Obviously, this is a sharp reduction in our over-all level of industrial activity and only rarely can one find a precedent wherein stock prices were strong during such an adjustment.

"The various associates on the staff are asked to comment briefly on the anticipated changes in their respective industries."

Ralph Geer of the research organization then took up the discussion:

"I agree," he said, "that the Chemical classification in the FRB index is likely to decline about 24% in the next five months and I further agree that this is the figure to use in considering the over-all economic position. However, the figure does need some explanation.

"The index for January was 316% of the 1935-39 average. Considering the normal growth trends in the chemical industry, I estimate that the index at the present time would be somewhere around 160-170 on a peace-time basis, the balance representing explosives and other direct war materials, a great deal of which is produced in government-owned plants. Consequently, I think we should be careful not to leave the implication that the anticipated decline in the chemical components of the FRB index will have a corresponding effect on chemical company earnings. I anticipate that the activities of the companies themselves may be reduced as war work is cut back, but these companies do not have much of a reconversion problem and normal consumers should be in the market quickly to take up a good part of the slack. The latter business should be more profitable than government work and it must be remembered that all of these companies have a large EPT cushion.

"I also cover two industries that are included in the FRB Machinery classification, namely, Farm Equipment and Office Equipment. Farm equipment manufacturers are already producing their normal lines to the extent of about 80% of 1940-41 levels. They are also doing some war work and their sales are likely to reflect cut-backs in this division, but the activity could be quickly changed over to a larger output of normal lines which should be more profitable than government contracts.

"It is hazardous to generalize in my comments on Office Equipment because some companies have been able to stick close to their normal lines throughout the war, whereas others are engaged very heavily in war work which is not akin to peace-time production. Obviously, some of these companies are going to have severe reconversion problems and close attention will have to be paid to each individual concern."

Lyman S. Logan next spoke on the reconversion situation regarding metals:

"The Non-Ferrous Metals and Products category," Mr. Logan said, "includes aluminum and magnesium production, copper, lead and zinc smelting and refining and also the fabrication of these raw materials into finished products, many of which directly go into war materials. I anticipate further sharp curtailment in the production of aluminum and magnesium and it is obvious that items such as shell casings and similar war materials should decline sharply. I cannot generalize further because each company is affected in widely varying degrees.

"So far as the item Iron and Steel is concerned, the tight situation is already easing and we would expect this trend to continue to the extent that operations might drop during the summer months. It is difficult to say how low operations may go but we have in mind a figure of around 75% of capacity, which seems to agree with checks that we have made in the trade.

"I would like to point out, however, that the effects on the earnings of individual companies will vary since some of the lower-cost producers are very heavily in the EPT and will, therefore, have very little reduction in net earnings. Companies which are not now paying EPT, however, and some of the high-cost producers will likely have a sharp decline in earnings into the transition period.

"I think a 20% decline for Rubber Products during the specified period is quite logical. It must be remembered that this item includes tank treads, self-sealing fuel cells and innumerable items going directly into the war effort as well as heavy duty tires for motor vehicles and airplanes. However, it should be remembered that these companies can quickly convert to the more profitable civilian tire production for which there is a huge pent-up demand. Furthermore, the earnings of these companies have large cushions in their charges for renegotiation, EPT and contingency reserves. While earnings might decline slightly for a brief period during transition, the total on an annual basis should not be materially affected."

David W. McKnight, in commenting on Electrical Equipment, said: "The so-called Electrical Equipment line weighs heavily in the FRB's Machinery category. It must be remembered that this includes motors, ship propulsion apparatus, radio communications including radar, and innumerable other items. Without any question a large cutback in war business is in store for products of this nature. The two leaders in this industry have been identified in particular with the items mentioned and the ship-plane program is very definitely on the wane. It must be remember that the two leaders are currently running at a rate several times pre-war normal and to get back to even an excellent post-war level, after completion of reconversion, sales would be roughly halved in many cases.

"Relative to the outlook for consumers' goods, I must consider the fact that the FRB index is likely to decline 23% in the next four or five months and it seems clear that this change will correspondingly affect national income (consumer purchasing power). There has always been a very close correlation between national income and retail sales, a correlation that has even prevailed during the war period for soft goods. It must be remembered that total sales at the retail level last year reached a peak of $69 billion, or about two-thirds higher than 1939, in spite of the fact that most hard goods items were not available. I would expect the sales of soft goods to continue the close relationship with national income when the latter is declining during the transition period. Furthermore, I think that this is likely to be witnessed during the period when hard goods will not be coming on the market to provide an offset.

"Nevertheless, when I consider the production components in the broad non-durable goods category in the FRB index, I do not anticipate much change during the specified period. The reasons are too complex to permit elaboration on them at this particular point."

John M. Beery followed Mr. McKnight, by commenting on Transportation Industries.

"It has already been pointed out," he began, "that the transportation equipment item in the

FRB index accounts for about 18% of the present total. This item includes automobiles, aircraft, ship-building and railroad equipment. The ship-building and aircraft programs already are being curtailed sharply and I anticipate further severe cut-backs during the specified period, although I must confess that the exact extent of the decrease can be nothing more than a rough approximation. We have presumed that the automobile industry will not have had time to reconvert by September. Not much change is anticipated for the railroad equipment item, but this one line is far out-weighed by the magnitude of the ship-plane factors.

"It is impossible at this point to discuss the effects on individual companies but it is quite apparent that there is going to be a severe deflation in the sales and operations of concerns in this field that are heavily engaged in war activities. Many of these companies will have serious reconversion problems, in addition to deflation in sales."

Philip J. Maggio, discussing the general outlook, stated that "we have already concluded that the FRB index is likely to drop about 23% in the next four or five months and, as a general rule, transportation activity should correlate closely with the general level of business. However, as I consider the specific period which we have selected, I feel that other important factors are involved. By next September it appears that we will be approaching a peak in the transfer of men and equipment from the European war theatre to the Pacific area and it is expected by Army officials that between 60-70% of the European war equipment will be available for use in the Pacific. Under such circumstances, railroad traffic volume will be stimulated by abnormal conditions not reflected in the volume of industrial production.

"As a result, railroad traffic declines are not likely to match the magnitude of the recession in industrial production, at least not until the peak of transfers in military equipment and personnel has been passed. Later, when railroad traffic will be influenced to a greater degree by industrial production, its decline should duplicate, if not exceed, the drop that will already have taken place in industrial production. I think much emphasis must be placed, however, on the presumption that the Japanese war will continue in full force through 1945.

"Under these circumstances, it is likely that the Western railroads will be demonstrating an appreciably better performance from the standpoint of both traffic and earnings, than the Eastern railroads which might conform more closely to industrial production, and also the Southern railroads.

"So far as Airlines are concerned," Mr. Maggio said, "the autumn season will probably witness a more rapid return of planes from the Armed Forces and a commensurate increase in traffic movement. The impetus of traffic expansion should offset any decline in earnings which might result from lower passenger and mail rates. It is my view that the traffic of the airlines will continue to be limited only by capacity."

Mr. Dorsey wound up the discussion.

"We hope," he said, "that the above discussion has demonstrated the importance of renewing the study of detailed business figures. It is obvious that the outlook for different industries varies over a very wide range and it would seem logical that these same differences would carry-through to the outlook for the individual groups of stocks involved.

"We anticipate during the months ahead, that we will experience one of the most unusually selective stock markets that we have ever seen. We are inclined to give the money factor a heavy weighting in any consideration of stocks which will benefit by the end of the war—by relief from manpower and material shortages, restrictions, etc. The pressure of idle investment funds is great and is likely to be reflected in the demand for securities which have a well-assured outlook. However, our attitude is quite cautious toward a rather broad group of stocks which are obviously facing a sharp deflation in sales and earnings, reconversion problems, labor trouble, etc. We still fail to hear enough discussion of the detailed figures in prospect for these companies during transition to warrant much confidence that such figures have been entirely discounted in the market prices of the stocks."

OUR REPORTERS' REPORT

Investment bankers ran slam bang into the element of competitive bidding for new securities on Tuesday of this week when the Pennsylvania Railroad Co. sold $52,981,000 of new bonds, and an insurance company ran off with the loan.

Under the terms of the sale the bidders were called upon to fix the rate of interest as well as the price they were willing to pay the issuer.

When railroad officials proceeded with the opening of the bids it developed that only two banking syndicates were in the field for the bonds. And the bids of these competitors were extremely close.

The high tender was 99.3899 for an issue bearing a 3% coupon and the runner-up fixed a price of 99.383 specifying the same coupon. Well, the bankers, or at least the winning group, assumed that their bids were the only tenders for the loan.

So the high bidder up to that time, confident of ultimate award, proceeded with plans for reoffering the bonds at par. And it is understood that some orders were actually taken, subject, of course, to actual award.

Then out of the blue came the news that the Equitable Life Assurance Society had entered a bid of 100 for the bonds with a 3% coupon. It is quite a spell since an insurance company has appeared as the bidder for so large an issue.

But that's competitive bidding and the banking group, chagrined perhaps, could do naught but apply the eraser.

Seagram Issue Moves

The last of the really big underwritings to go through before the Treasury launches its Seventh War Loan Drive, the $50,000,000 of 20-year debentures of Joseph E. Seagram & Sons, Inc., found a good reception on offering yesterday.

Dealers reported a brisk demand for the loan which carries a 3¼% coupon and everything pointed to fast placement.

The bonds are guaranteed unconditionally by Distillers-Corp-Seagrams, Ltd., and the proceeds will be applied to repayment of a $15,000,000 bank loan with the balance to be added to general working capital.

Bidding Restricted

Outcome of bidding for two relatively large issues this week appeared to bear out what some of the investment banking people have been saying for some time, namely, that capital restrictions imposed on many firms, particularly New York Stock Exchange members, pretty much circumscribe the potentialities of such organizations.

New York Power & Light Corp., on its public sale of 240,000 shares of new preferred stock was the recipient of only two group bids. The winning tender was 102.30 for the stock with a 3.90% dividend rate. The second bidder sought the issue with a 4% rate on a bid of 102¾.

The winning group was reported making plans to reoffer the issue publicly later in the week, subject to SEC approval, at a price of 104 to yield an indicated return of about 3.75%.

Small Issues Attract Bids

New undertakings of small dimensions bring out the bids in contrast to their larger counterparts. For example, the Kansas, Oklahoma & Gulf Railway received a total of four bids for its offering of $4,400,000 of first mortgage bonds, maturing in 35 years.

The issue was awarded on a bid of 99.059 for a 3⅜% coupon, with the recipient of the bonds reoffering at 100½. subject to approval by the SEC.

Meanwhile the Georgia Power & Light Co. received a total of seven bids for its issue of $2,500,000 of 30-year first mortgage bonds, with the high bidder paying a price of 101.509 for a 3% coupon.

Clearing Up Loose-Ends

Steady plugging on the part of distributors is whittling down the unsold balances remaining from some of the recent large issues, particularly in the railroad field.

There are still bonds around from the latest Pere Marquette and Nickel Plate emissions, but pressure is reportedly not heavy. The new Eries on the other hand are ruling at a slight premium from the offering price.

Meanwhile New York Power & Light 2¾s of 1975 can still be bought at a discount from the offering level.

Now May-Phinney Co.

SEATTLE, WASH.—The firm name of Herbert R. May & Company, Fourth & Pike Building, has been changed to May-Phinney Company.

Mutual Funds

The Best Sales Argument

"Record counts," writes **The Parker Corporation** in a letter to dealers concerning the investment record of **Incorporated Investors.**

"A sales argument based on the actual investment record of the investment company over a long period sounds solid and sincere to a prospective customer. Such evidence will clinch more orders than a discussion of management theories, market forecasts, impressive names, ratios, or complicated figures."

Attention is directed to the performance of Incorporated Investors since the end of 1941 as published in Barron's quarterly investment company gauge. The Barron's article discusses the performance of the 33 common stock and combination funds included in its tabulation and comments: "Leading the two groups in gains recorded for the period was Incorporated Investors with an increase of 135.4%. . . ."

American Foreign Investing Corp.

In a letter accompanying **AFI's** quarterly report, reference is also made to the Barron's article and to the company's outstanding performance record as shown therein. Here is the quotation from Barron's:

"American Foreign Investing Corp. increased its net asset value from the end of 1937 by well-timed purchases and sales of foreign securities. It recorded a gain of 172.9% during this period, which was the greatest gain of the 40 companies represented."

General Investors Trust

On April 20 the reserves of cash and equivalents held by this Fund amounted to over 10% of total assets, which were $2,165,464 at the end of the quarter. Stockholders are advised by the trustees that "a further strengthening of this reserve may well take place . . . in order to take advantage of any opportunity which market conditions may present."

New England Fund

In their quarterly report to shareholders the trustees state that since the reduction in cost of buying shares of the Fund "a number of large investors have indicated their intention to invest in the Fund." Under the reduced cost 99¢ out of every dollar used to purchase shares of the Fund are available for investment as against 93¢ previously.

"It is interesting to note also," write the trustees, "that a number of old shareholders have enlarged their holdings since the shares became available on this new basis."

$125,000,000

On April 16 combined assets of the 10 **Keystone Funds** exceeded $125,000,000. This was revealed in the semi-annual reports on **Keystone Series "B4"** and **"S1,"** which show net assets of "B4" up to $19,-363,123 from $15,184,207 and "S1"

(Continued on page 2066)

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

The Hartford group of fire and casualty insurance companies is outstanding in many respects. It was therefore with a great deal of interest that this colum examined a recent ten year compilation of their earnings and other financial data, as prepared by an *investment house in Hartford, Connecticut.

The companies included in the study are Aetna Casualty, Aetna Insurance (fire), Automobile Insurance, Hartford Fire, Hartford Steam Boiler, National Fire and Phoenix Insurance. Two of these companies are more than 100 years old, viz. Aetna Insurance and Hartford Fire.

Aetna Casualty & Surety, established in 1883, is the casualty affiliate of the Aetna Life Insurance Co., which owns 51% of the outstanding shares. It is the third largest casualty company in the United States. Automobile Insurance Co., founded in 1907, is the fire affiliate of Aetna Life, which owns 81% of outstanding shares. Automobile Insurance, in turn, owns 98½% of Standard Fire of Trenton, New Jersey.

Aetna Insurance, established in 1819, has no connection with Aetna Life, despite the similarity in name. It owns the entire stock of Century Indemnity, World Fire & Marine, Piedmont Fire, Standard Insurance (fire) and Standard Surety & Casualty.

Hartford Fire, founded in 1810, is the largest stock fire insurance company in the country as measured by assets, and second largest in premium volume. Its subsidiary, Hartford Accident & Indemnity, is the second largest casualty company. Other subsidiaries are: Citizens Insurance of New Jersey, New York Underwriters, Hartford Live Stock, London-Canada Fire and Twin City Fire.

Hartford Steam Boiler Inspection and Insurance Co. is the only domestic company to write steam boiler and machinery insurance exclusively. It writes over 40% of all this type of business done in the United States. It began business in 1866.

National Fire was founded in 1871. It controls the following subsidiary fire companies: Franklin National, Mechanics & Traders, and Transcontinental Insurance. In April 1944 a casualty subsidiary, United National Indemnity, was organized.

Phoenix Insurance, established in 1854, heads the Phoenix group of fire insurance companies consisting of the following: Connecticut Fire, Equitable Fire & Marine, Reliance Insurance of Canada, Central States Fire, Great Eastern Fire, Minneapolis Fire & Marine and Atlantic Fire.

Aetna Casualty's growth has been outstanding, a fact which has been well reflected in the market performance of its stock. On the other hand, Hartford Steam Boiler shows gain only in its unearned premium reserves and liquidating value, while capital funds have remained stationary, earnings have shrunk, dividends have been reduced, and the current price of its stock is 38.4% below the 1935 mean level.

Hartford Fire has shown a better than average gain in growth factors, i. e. surplus and liquidating value, while National's experience has been below average. The market, it will be noted, has recognized these differences.

With regard to earnings of the fire insurance companies, it should be remembered that 1935 was a particularly favorable underwriting year, for fire losses that year were only $259,160,000 compared with $423,538,000 in 1944. A comparison of investment income in 1944 vs. 1935 shows the following relatives:— Aetna Cas. +109.6%; Aetna Fire, +36.6%; Automobile, +37.4%; Hartford, +33.6%; Hartford S. B. +17.0%; National Fire, —7.1%; Phoenix, —6.7%.

It is pertinent to observe that the market appears to recognize equity growth over the longer term, more than any factor. Thus, the better than-average market gains over the 10 years have been registered by the stocks of those companies whose growth in surplus and liquidating value have been above average.

All companies except Hartford Steam Boiler, have experienced sound growth during the past 10 years, though not in equal degrees as will be noted from a study of the following tabulations:

TABLE I
CAPITAL FUNDS

	1935 Capital	1935 Surplus & Spec. Res.	1944 Capital	1944 Surplus & Spec. Res.	10 Year Growth in Surplus & Sp. Res.
Aetna Casualty	$3,000,000	$13,046,000	$3,000,000	$32,461,000	148.8%
Aetna Fire	7,500,000	21,907,000	7,500,000	25,581,000	16.8
Automobile	5,000,000	7,977,000	5,000,000	13,452,000	68.6
Hartford Fire	12,000,000	44,453,000	12,000,000	85,492,000	92.3
Hartford S. B.	3,000,000	7,865,000	3,000,000	7,197,000	—8.5
National Fire	5,000,000	25,053,000	5,000,000	27,485,000	9.7
Phoenix	6,000,000	24,839,000	6,000,000	50,856,000	104.7
Average					61.8%

TABLE II
UNEARNED PREMIUM RESERVES AND LIQUIDATING VALUE

	1935 U. P. R.	1935 L. V.	1944 U. P. R.	1944 L. V.	10 Year Gain U. P. R.	10 Year Gain L. V.
Aetna Casualty	$11,467,000	$68.77	$23,432,000	$149.45	104.3%	117,3%
Aetna Fire	16,169,000	50.04	27,846,000	68.81	72.2	37.5
Automobile	6,013,000	30.76	14,146,000	50.92	135.3	65.5
Hartford Fire	31,452,000	68.13	45,190,000	122.61	43.7	80.0
Hartford S. B.	7,216,000	45.85	13,962,000	52.61	93.5	14.7
National Fire	13,815,000	72.79	22,059,000	89.64	59.7	23.1
Phoenix	8,031,000	90.24	11,904,000	108.21	48.2	19.9
Average					79.6%	51.1%

TABLE III
EARNINGS, DIVIDENDS AND MARKET

	1935	1935	1935 Mkt.	1944	1944	1944 Mkt.	10 Year Gain	10 Year Gain	10 Year Gain
Aetna Casualty	$10.38	$3.00	*$43⅛	$18.05	$5.00	$77¼	73.9%	66.7%	79.1%
Aetna Fire	2.36	1.60	53¼	2.65	1.80	56¼	12.3	12.5	5.6
Automobile	3.52	1.20	34¾	3.08	1.40	38	—12.5	16.7	9.4
Hartford Fire	8.31	2.50	70¾	6.81	2.50	109½	—18.1	0	54.8
Hartford S. B.	3.16	2.00	73½	—1.39	1.60	45¼	—144.0	—20.0	—38.4
National Fire	7.49	2.00	67	—0.11	2.00	60½	—101.5	0	— 9.7
Phoenix	7.63	2.50	85½	4.07	3.00	90¼	— 46.7	20.0	5.6
Average							— 33.8%	13.7%	15.2%

*Adjusted for 100% stock dividend 3-1-1945.

*Compiled by Conning & Co. and Ballard, Members of the New York Stock Exchange, from reports on file with Connecticut Insurance Dept.

Mutual Funds

(Continued from page 2065)

up to $1,762,419 from $1,209,349 in the six months ended March 31, 1945.

Magnified Market Action

Distributors Group, with a customary warning that magnification "works both ways," calls attention to the practical results achieved by the high-leverage investing company portfolio held by **Investing Company Shares.** Here is the record:

From Jan. 2, 1942 to March 31, 1945

The Stock Market advanced (Dow-Jones Industrials)	39.2%
Leverage Investment Co. Stocks Advanced (Standard & Poor's Index)	187.1%
Ten stocks owned by Investing Co. Shares advanced	271.5%
Market price of Investing Company Shares advanced	428.2%

"As a speculative 'kicker,'" concludes Distributors Group, "Investing Company Shares will give life to an otherwise stodgy list."

6% on ABS

The 6% commission to dealers on sales of **American Business Shares,** which was put into effect for a 90-day period after the special offering early this year, has now been made the standard rate. In the letter announcing this change, **Lord, Abbett** writes: "The favorable reaction of investment dealers to this policy suggests that it be retained."

Best Stock?

In a simple, little leaflet, entitled "Which Is the Best Stock on the Board?" **The Parker Corp.** points out that "no one is smart enough to know the 'best' stock."

"But no investment counsel organization would ever think of recommending to a client an investment in a single company—or even in a single industry. The experience of successful investors is that selected diversification is indispensably requisite for sound investing."

The Change

With V-E Day now history and investors looking closer at the problems of reconversion and peace, a recent "News Week" editorial, reprinted in the current issue of **Brevits,** may be of timely interest here.

"By every measurement available, the Truman administration inevitably will be of different stuff. Mr. Roosevelt was of aristocratic heritage and by instinct a patron who was **for** the people. President Truman is of plain, shirt-sleeved, side-street American stock, and by instinct a man who is **of** the people. . . . Mr. Truman has an innate attachment for moderation and privacy. Mr. Roosevelt talked and people listened. People talk and Mr. Truman listens. Politically, Mr. Roosevelt had the sweeping liberalism that frequently flowers in latter-day generations of old and wealthy families. Mr. Truman has the liberalism born of struggle and near want, but hedged by the inescapable conservations that hard-won acquisitions instill. . . .

"Mr. Roosevelt's 'left-of-center' position was not objectionable to Mr. Truman, but his own instincts have been more conservative. As in the case of the three branches of government, the three segments of economic power—industry, labor, and agriculture—will probably experience a more equitable balance."

* * *

Investment Company Literature

National Securities & Research Corp.—Portfolio memorandum showing changes in National Funds during April; Current Information folder for May. . . . **Keystone Corp.**—Current issue of Keynotes on "Monthly Checks From Your Investment Account"; Current Data Folder for May. . . . **Distributors Group**—Current issue of Railroad News; Special Month-End Price Comparison Card. . . . **The Parker Corp.**—Leaflet showing 10-year price and dividend record of **Incorporated Investors.** . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important."

Postpones Hearing on Ban on Floor Trading

The Securities and Exchange Commission has announced a further postponement to 10:30 a.m., May 15, of the public conference on the proposed floor-trading ban.

"Material prepared as a result of additional studies of the subject, made by the trading and exchange division, and studies prepared by the New York Stock Exchange, were inter-changed today," the commission's announcement stated on May 4.

"In order to allow time for the study and review of this material prior to the conference, thus facilitating the discussion before the commission, it was considered appropriate to postpone the conference."

Teletype for Fay

PORTLAND, MAINE—Nathan C. Fay & Co., 465 Congress Street, announces the re-installation of their Bell System TWX service with their former number PO 185.

Public Offering of Tide Water Oil Issue

A group headed by Kuhn, Loeb & Co. and Lehman Brothers is offering the unexchanged portion of 300,000 shares of Tide Water Associated Oil Co. $3.75 cumulative preferred stock, without par value, at $105 per share and accrued dividends from April 1. Of the 300,000 shares, 172,398 shares are issuable to the holders of the company's $4.50 preferred stock under an exchange offer that expired May 7, and the remaining 127,602 shares are being offered to the public by the underwriters.

There are 500,000 shares of Tide Water $4.50 cumulative convertible preferred outstanding, and holders of this stock were offered the new preferred on a share-for-share basis.

Net proceeds from the sale of the new preferred, together with other company funds of approximately $21,000,000, will be used to redeem, on or about next July 1, at $105 per share and accrued dividends, any of the $4.50 preferred shares then outstanding.

Assoc. Telephone Co. Pfd. Being Offered

An investment group headed by Paine, Webber, Jackson & Curtis and Mitchum, Tully & Co. is offering today 280,312 shares of cumulative preferred stock, $20 par value, 4½% series of Associated Telephone Co., Ltd.

Of this total 238,000 shares are being offered subject to the company's proposal of exchange made to holders of the cumulative preferred stock, $1.25 series. Under this proposal holders of the old preferred are entitled to exchange on a share-for-share basis. In addition they will receive a cash payment of $4 for each share of old preferred exchanged. The exchange offer will expire on May 21, 1945.

Net proceeds of the sale, together with other funds of the company, will be used to redeem at $26.50 a share all unexchanged shares of old preferred stock and to cover the cash adjustment incidental to the exchange.

AS PART OF A GREAT AND VITAL WAR INDUSTRY

Standard Oil Reports:

ITS ACTIVITIES FOR 1944

EXCERPTS FROM THE ANNUAL REPORT TO STOCKHOLDERS

Note — The shorter terms "Company" and "Jersey" are sometimes used for brevity to refer collectively to all companies consolidated in the financial statements, or to one or more of them.

The Petroleum Industry Record—"Small companies as well as large... performed an incomparable feat in 1944. In response to the insatiable demands of war the men and women of the Standard Oil Company (New Jersey) did their part for Victory by producing and refining the greatest volume of oil in Company history."

Company Output 1,000,000 Bbls. Per Day—"While the U. S. oil industry was increasing its domestic crude oil output by 11% over 1943, the Company increased its output by more than twice that figure—by 24%... For the first year in Company history the total volume of crude oil processed in domestic and foreign refineries of our affiliated companies exceeded 1,000,000 barrels per day."

Reserves Ample for Many Years—"Although this high rate of production resulted in record withdrawal from the Company's domestic crude oil reserves, these reserves were maintained and even slightly bettered during the year. Despite the restrictions imposed by wartime conditions, intensive exploration was conducted and resulted in the discovery of substantial new reserves... Jersey studies of undeveloped petroleum possibilities in the U. S. and in this hemisphere indicate that crude oil supplies will be ample for many years."

100 Octane for 1 in 5 Planes—"The Company has continued to be the world's largest producer of 100 octane aviation gasoline. One out of every five planes of the United Nations was flown on Jersey-made fuel during the year. This achievement is the direct result of years of leadership in 100 octane—a fuel first brought to large scale manufacture by Jersey."

Company Processes Taught to Others—"Processes developed by Jersey in past years for the production of 100 octane, synthetic rubber and toluene, as well as... other critical petroleum products, were widely used by many manufacturers... Eighty per cent of all toluene used for explosives by the U. S. and our Allies now comes from petroleum and the bulk of it is produced through the use of Jersey processes... Nearly 90% of the tonnage of butadiene (for synthetic rubber) now being obtained from petroleum is manufactured in plants using one or more Jersey-developed processes... Company people have helped Government and other manufacturers in the solution of war production problems—and Jersey knowledge and skill have been willingly taught to others."

Peacetime Facilities Invaluable in War—"Company ships, docks, storage tanks and all other facilities—most of them built during peace—have proved invaluable in war. Time and again equipment of our world-wide organization has been used by the Armed Forces to perform vital tasks."

Employees Maintained a Fine Record—"There were no production stoppages due to strikes—a record which has been maintained since long before Pearl Harbor... About half the emlpoyees had records of 10 years or more of service and over one-fourth had been employed more than 20 years ...over 1,000 employees have already returned to the Company from military service. In addition 632 veterans not formerly with us have been employed."

The Future—"Supplying the petroluem needs of wartime will continue to take priority over all other Company considerations so long as the conflict lasts. Nevertheless... thought is being given to post-war problems such as the return of our men and women now in the Armed Services, oil reserves, reconversion, post-war products... The Company will be prepared for the opportunities ahead with an organization which, strengthened by the return of employees in service, will be better equipped than ever to serve the public both at home and abroad."

Copies of the full report available on request as long as they last. Because of paper shortages, only limited quantities can be printed. Address Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

STANDARD OIL COMPANY (NEW JERSEY)

AND AFFILIATED COMPANIES

PRODUCTS OF THIS COMPANY WHICH ARE HELPING TO SHORTEN THE WAR:

AEROSOL INSECTICIDE BOMBS
AIRCRAFT CONTROL LUBRICANT
AIRCRAFT ENGINE OILS
AIRCRAFT PARTS
ANTI-AIRCRAFT GUN COMPONENTS
ANTI-ICING FLUID
AUTOMOTIVE GASOLINES
AUTOMOTIVE GREASES
AVIATION GASOLINES
BUNA N (PERBUNAN) RUBBER
BUNKER FUEL OILS
BUTADIENE
BUTYL RUBBER
CABLE OILS
CANS
CATALYSTS
COMPASS FLUID
COMPRESSOR OILS
CONTAINER LINING
CUMENE
CUTTING GASES
CUTTING OILS
DIESEL FUELS
DIESEL LUBRICANTS
DI-ISOBUTYLENE
EMULSIFIED CUTTING OILS
ENGINE OIL
ETHYL ALCOHOL
ETHYL ETHER
ETHYLENE
EXTREME PRESSURE LUBRICANTS
FLIT
FOG OIL
GEAR OILS
GRAPHITE GREASES
GRINDING OILS
HEAVY DUTY LUBRICATING OILS
HYDRAULIC BRAKE FLUID
HYDRAULIC CONTROL OIL
HYDROGEN
HYDROGEN CHLORIDE
ILLUMINATING OILS
INDUSTRIAL LUBRICANTS
INDUSTRIAL FUELS
INSECT REPELLENTS
INSECTICIDES
INSTRUMENT OILS
INSULATING OILS
ISOPROPYL ACETATE
ISOPROPYL ALCOHOL
JET PROPULSION FUEL
KEROSENE
LAUNCHING BASEKOTE
LAUNCHING GREASES
LOW TEMPERATURE GREASES
MACHINE GUN LUBRICANT
MEDICINAL OILS
METHYL ETHYL KETONE
MOTOR OILS
NAPHTHENIC ACIDS
PACKAGE COATING
PAINT THINNERS
PARAFLOW
PARANOX
PARAPOID
PARATONE
PETROLATUMS
PHENOLS
POLYBUTENES
PRESSURE GUN LUBRICANTS
PYRETHRUM CONCENTRATE
QUENCHING OILS
RAILROAD JOURNAL GREASES
RANGE OIL
RECOIL OILS
REFRIGERATOR OIL
RIFLE BORE CLEANER
RUST PREVENTIVES
SIGHTING SYSTEMS
SODIUM SULPHONATE SOAPS
SOLID SAFETY FUEL
SOLVENTS
SPARK PLUG LUBRICANT
STEERING ENGINES
SUPERCHARGER OIL
TEMPERING OILS
TENTAGE TREATING COMPOUND
TOLUENE FOR TNT
TORPEDO TAIL PACKING COMPOUND
TRANSFORMER OILS
TURBINE OILS
UNDERWATER GEAR GREASES
WATERPROOF GREASES
WAXES
WHITE OILS

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The sharp advance that took place in the intermediate maturities of the taxable bonds, which carried these obligations to new all-time highs, was the outstanding development in the Government bond market. . . . The largest gains were made in the longer maturities of this group, with the 2s of June and December, 1952-54 leading the move with advances of about 10/32nds. . . . The substantial appreciation that has already taken place in the 2% taxable group, and in particular the 2s due June and December, 1952-54, has given rise to the question if any further price betterment can be anticipated, especially in the last two maturities. . . .

Based on the continued adherence to the financing policy adopted by the Treasury for the Seventh War Loan, the opinion is held in certain quarters that the 2s due June and December, 1952-54, will probably move ahead in price until they reach a yield, to the call date, of about 1.50%. . . .

This yield would indicate a price of about 103.10/32 for the 2s due June, 1952-54, and a level of approximately 103.17/32 for the 2s due December, 1952-54. . . . Although some price appreciation may still be available in the longest of the taxable 2s, it is indicated the greater part of the advance has already taken place in these obligations. . . .

QUIZ IS ON

With a 1.50% yield basis expected, by some, for the 7 and 7½-year 2s the old guessing game as to where the new 5½-year 1½s will sell when they are available in the open market, is again in style. . . . If there are no offerings of securities to the commercial banks during the coming War Loan, or the period following the drive, other than certificates, and the Treasury continues to forbid the sale of outstanding obligations by the savings banks and life insurance companies, it is expected there will be a substantial demand for the new 1½% bond, with a yield basis of about 1.30% indicated. . . .

This would be equivalent to a price of about 101 for the new bond, when it is available in the open market, at the end of the drive. . . .

Such a price would mean a much larger premium than was ever available, initially, in the 2s. . . . A good demand is still in evidence for the restricted 2¼s, due 1956-59, and these bonds again went into new high ground. . . . The 2½s, due 1967-72 made new highs, with some lessening of demand noted near the end of the week. . . .

PARTIAL EXEMPTS INACTIVE

The partially exempt issues were quiet and about unchanged for the week, with reports indicating that some of the intermediate term obligations have been sold, with the funds being reinvested in the last four maturities of these bonds. . . . The 1945 callable and maturing issue of the partially tax exempt bonds were being acquired by institutions that wanted them for tax purposes. . . .

CAUSE AND EFFECT

The probability that future offerings of securities by the Treasury to the commercial banks will consist almost exclusively of short-term obligations is creating a great demand for the outstanding unrestricted long-term taxable issues. . . .

Despite the substantial appreciation that has already taken place in these obligations the opinion is held among some of the shrewdest followers of the Government bond market that the unrestricted taxable 2½s, due 1967-72, are the most attractive of the taxable issues. . . .

These sources also recommend the purchase of this bond by commercial banks at this time. . . . It was pointed out that under the present method of financing the highest coupon rate the commercial banks are likely to get in the future will be 1½%. . . .

An offering of 1½% bonds would probably have no important effect marketwise on a 2½% security, although some price adjustment would probably be evidenced in the 2s. . . .

The savings banks and insurance companies, under prevailing conditions, will not be sellers of the outstanding taxable securities. . . .

A BIG "IF"

Even if these institutions were to be given the "go ahead" by the Treasury to make some "normal portfolio adjustments," it is indicated that they would hold their 2½s and sell the 2s. . . . Income is important to the savings banks and insurance companies, and it is believed this would be an important reason for the retention of their 2½% bonds. . . .

Also the position of the savings banks and insurance companies in the 2½s due 1967-72 is considerably smaller than their holdings of 2s, and it is believed this would also influence any selling these institutions might do. . . .

The holdings of United States Government agencies, Federal and other investors, in the 2½s due 1967-72 are large, but it is believed that any selling from these sources would be well taken. Also, such selling would probably aid the position of these bonds, which has been quite thin, and make for a more orderly market in these obligations. . . .

HIGHER PRICES SEEN

It was noted that the 2½s due 1967-72 is the highest yielding long-term taxable security that the commercial banks can purchase, and with great scarcity of long-term issues in the offing, it is believed that the demand for this obligation will eventually be expressed in higher prices. . . . Accordingly, it is believed that the 2½s due 1967-72 will seek higher levels than those presently prevailing, with a yield to the call date of between 2.20% and 2.10% looked for in some quarters. . . .

These levels would indicate a range of prices from about 105¼ to approximately 107⅛. . . .

It was also pointed out that for institutions which are in a position to assume the premium involved, the last four maturities of the partially exempts are considered attractive at these levels on the assumption of higher prices for the taxable 2½s due 1967-72. . . .

EQUALIZING

Over a period of time the tax free yield on the partially exempts and the taxable bonds tend to equalize. . . . Therefore, as the taxable 2½s, due 1967-72, advance in price, which would result in a smaller tax free yield, it is expected that the long partially exempts, particularly the 2¾s due 1960-65, will seek higher levels, to bring the tax free yield of these bonds in line with that of the taxable obligations. . . .

Wisconsin Brevities

As of March 31, 1945, the net asset value of Wisconsin Investment Co. stock was $3.80 per share. The latter compares with a net asset value of $3.63 per share reported on Dec. 31, 1944, and represents an increase of 4.68%.

Net profit on sales of securities of $39,019 was realized during the three months ended March 31, 1945. This sum, less a provision for estimated taxes, was transferred directly to earned surplus.

* * *

The income from dividends and interest on marketable securities for the quarter totaled $13,627; general and administrative expenses, $5,939; provision for income taxes (after applying $7,310 against profit on sale of securities), $1,815, leaving a net income for the period of $5,873.

* * *

The Wisconsin Central Ry. reports for the three months ended March 31, 1945, gross from railway of $4,776,788, as against $5,219,295 for the first quarter of 1944, and net railway operating income of $412,009, compared with $619,569 for the first three months of 1944.

* * *

Fairbanks, Morse & Co., whose main plant is at Beloit, Wis., has declared an extra dividend of 25 cents and a quarterly dividend of 25 cents, both payable June 1 to common shareholders of record May 12.

* * *

Waukesha Motor Co. has declared a quarterly dividend of 25 cents per share payable July 2 to stockholders of record June 1.

* * *

Net income of the Wisconsin Electric Power Co. for the 12 months ended March 31 was $4,153,000. Of this sum, $1,512,000 was paid in dividends to preferred stockholders, $1,596,000 in dividends to common stockholders and $1,044,000 was retained in the business. Net income for the preceding 12 months was $4,067,000.

Operating revenues for the 12 months were $34,608,434, an increase of 5.4%. Operating expenses, including taxes and depreciation, aggregated $28,790,000, an increase of 6.4%. Provisions for taxes amounted to $9,399,600, or 27.2 cents of every dollar received for sales and services, and were $149,600 higher than the preceding period. Provision for depreciation was $3,055,673, equivalent to 8.8% of operating revenues.

Electric output for the 12 months was 2,694,544,773 kilowatt hours, an increase of 7.9% over the previous 12 months. Output for the first quarter of 1945 was 7.3 greater than in the 1944 period.

A. L. Batten Rejoins Herbert Blizzard Co.

PHILADELPHIA, PA.—Herbert H. Blizzard & Co., 123 So. Broad Street, announces that Lt. Arthur L. Batten, recently resigned from the U. S. Army Air Corps, has rejoined their organization.

A veteran of World War I, having served overseas in 1918 with the 143rd and 279 Aero Squadron, Lt. Batten accepted a commission in April, 1942. After being stationed at Luke Field, Ariz.; Big Spring, Texas, and Kirkland Field, N. M., he was appointed Adjutant, Air Corps Rescue Boat School at New Orleans. He was later stationed at Hunter Field, Savannah, Ga., as Base Boat Officer in charge of Rescue Boat Actitivities prior to taking his last assignment as officer in charge of the motor pool at that field.

Thompson Products Preferred Offered

Public offering of 15,000 shares of new 4% cumulative preferred stock ($100 par) of Thompson Products, Inc., was made May 9 by a banking group headed by Smith, Barney & Co., New York, and McDonald & Co., Cleveland, at $107 per share and accrued dividend. The bankers have also agreed to purchase any unexchanged portion of 45,000 shares of the new 4% preferred stock which are being offered to holders of the outstanding 5% preferred in exchange, on a share-for-share basis, plus a cash payment of 85 cents. This exchange offer will expire May 15.

Through such exchange offer and with the balance of the proceeds from the offering, the company will retire all the 45,000 shares of old 5% preferred which is callable at $107 and accrued dividend; will retire $900,000 of 2⅝% notes dated Feb. 24, 1941, and provide itself with additional working capital.

May Department Stores Stock Oversubscribed

Goldman, Sachs & Co. and Lehman Brothers offered late on May 8 80,000 shares of The May Department Stores Co. common stock ($5 par) at $36½ per share and promptly announced an oversubscription by security dealers.

The shares offered were part of a total of 2,460,792 common shares now outstanding, excluding shares held in the treasury, and the company will receive none of the proceeds from the sale. Of the stock offered, 60,000 shares are being sold to the underwriters by a trust created by the late Louis Dudley Beaumont, and 20,000 shares are being sold by four separate trusts created by the late Rosa May.

The shares from the Beaumont trust constitute 37% of its holdings, and are being sold to increase liquid assets to enable the trust to carry out its charitable purposes and to provide for possible additional tax liabilities. The shares from the Rosa May trusts are 56% of the holdings and are being sold primarily to pay bank loans incurred, and to reimburse the trusts for Federal estate taxes paid.

Edward Pollard Now With Ernst & Co.

Ernst & Co., 120 Broadway, New York City, members N. Y. Stock Exchange, announce that Edward A. Pollard has become associated with them. Mr. Pollard was formerly a partner in H. E. Scott & Co. and prior thereto in Este & Pollard. In the past he was with Rutter & Co.

Hogle to Admit

LOS ANGELES, CAL.—Katharine H. McTernan will be admitted to partnership in J. A. Hogle & Co., as of May 17. She will make her headquarters at the firm's Los Angeles office, 407 West Sixth Street.

Some Aspects of Investments In Railroads

(Continued from page 2054)

ings. As one of the latter, I have pulled down on my head the request to write this paper; and perhaps some one had a roguish motive, in addition, to see what I might say to justify such a position.

Real Investment Opportunities

Just at present it is easy to say: "See what has been accomplished and how handsome the reward has been in a relatively short time." But the test of this judgment remains to be seen. If the answer is to be satisfactory over the longer term, there are still opportunities if prices and returns are compared with other securities available, though obviously, because of higher rail prices, these opportunities have narrowed greatly from what they were a year or two ago. So, it is still time to do some real thinking, not only to consider what to do about holdings but also to examine the possibility of further purchases. Let us look over some of the factors to be thought about.

Our railroads have been developing during a period of something over 100 years. Why do I mention that? Primarily, for the reason that I wish to call attention to the fact that this industry has seen many changes in the economy of the United States, and is not meeting its first or its last problems. Both grief and prosperity have been evident in its environment as well as in its own history. Some thought it had passed its peak at various stages along the way. But at present it is doing unbelievable feats in moving freight and passengers. Is this the final splurge before decadence? I do not believe so; but I immediately say that one must visualize further growth of our country and its industries to come to that conclusion. The only business of the roads is transportation, and that is tied up with the activity and prosperity of the people and their daily production, trade and development. If we are to feed our towns and cities, supply their industries with materials and move the finished products to meet an expanding scale of living, a dynamic transportation system is essential with the rails as the basis.

Next, let me refer to the period of the 30's. Due to a combination of factors, industrial activity lagged and large numbers of our people barely existed, or at least met only a portion of their desires for many things that were becoming part of our idea of reasonable living. In particular, heavy industry was at low ebb. The transportation demand dropped down to the sad looking years of 1932 and 1938. The low point in 1932 was about 50% of 1929, and neither security holders nor railroad managements had been adequately warned that any such thing could happen. The recovery of 1936 and 1937 was rudely interrupted by what looked like the knockout blow of 1938.

It was difficult to withstand the mob psychology that "the rails are done." The gyrations in gross and net reported, the conflicting explanations, poor current working capital positions, many defaults, uncertainties of procedure under the new bankruptcy laws, and effects of changes in legal lists were among the disturbing elements in that period.

Two other factors in this situation were the predominant position which rail bonds held in many portfolios during the 20's, and the contrast in relative earning stability on the part of most of the utility companies. The latter industry was conspicuously still in the growth stage and getting the benefit of refunding operations induced by federal policies on interest rates and large investment demand. Lack of confidence and market support led to sharp wide swings in prices of railroad bonds and stocks. The recovery to good prices after the general market drop in 1932 was followed by even lower prices in 1938 or subsequent years.

In passing, let me remind you that similar price debacles have appeared in other fields from time to time. But the scars of this experience are still too obvious to all of us.

Future Factors

At this time the question we all want answered is: "What of the next five or ten years?" Unfortunately, the answer will be the outcome of many varied factors. We could take many hours listing and analyzing the points that must be considered; so at best we can now refer briefly to only a portion.

You are all familiar with the much discussed capital positions of the roads and recent changes. The peak of railroad fixed charges was reached almost exactly at the bottom of the depression of the early 1930's, partly because debt had been expanded to finance the "make work" program of 1930-1931. Even at its maximum of a little over 11 billions for Class I roads, railroad debt was less than half the property investment as reported by the Interstate Commerce Commission after many years of study. Since 1932 the debt has been going down due to payments at maturity, calls, purchase by the roads, or reorganizations. It is probable that the fixed debt will come down to about seven billions and represent an even lower proportionate annual charge because of lowered interest in many cases. This is important, but only one part of the story. I should also add that such a seven billion dollar figure would represent not much more than about a 30% mortgage on the depreciated property account. Give this figure a bit of further thought at more leisurely moments.

Effect of Debt Structure

There is much to justify the argument that the amount and form of capitalization of the individual road prior to 1930 was the chief determinant of the credit standing during the following ten years. A comparison of the Pennsylvania, the Louisville & Nashville, the Union Pacific, and others with such roads as the New York Central, the Southern, and the Southern Pacific shows they were not so terribly far apart in their operating figures, but that the more conservative bonded debts of the former group permitted coverage of charges in the lean years while the others were short of their requirements. The better liens of the strong roads gave a rather good account of themselves when one considers the surrounding gloom. There was some railroad credit left at all times. It illustrates the necessity of discrimination as opposed to too much generalizing.

Too many seem to have overlooked the simple fact that the average railroad also presents a unique feature in its debt structure. This is the underlying mortgage. As you know, most rail systems were built up by consolidating many small lines. At various times, or before consolidation, modest amounts of mortgage debt were placed on such mileage. Often the first mortgage was closed so that junior bonds were created when property was built up or expanded. The refunding provisions which were stipulated in the mortgages may as yet have meant nothing because often 50 or even 100 year maturities were set on the prior lines. Many were issued with low interest rates, and even more important has been the non-callable feature. As the systems have developed, the value of the property on which these old issues are secured has greatly increased and a large equity has been built up. For example, Lake Shore $3\frac{1}{2}$s 1997 at $50,000,000 represent only a low ratio of property account today. Others, though open issues on valuable main line mileage, are followed by one or more large junior obligations. How many investors have looked carefully at the relation of these senior bonds to property value, earning power, and the position the holder finds in the acid test of bankruptcy.

In the working out of the roads in bankruptcy, priorities have been reestablished, so that on many underlying bonds the bondholder has received interest regularly during recent years even when earnings were at their worst. Chicago & Erie 5s are an example. In the same system is another illustration of a bond which defaulted in interest payments for two and one-half years, sold down to the middle 30's in price, had its full back interest recognized in reorganization, and soon sold back to above par. This was the prior lien mortgage. Other examples of the value of this kind of bond are readily seen. The fear that Section 77 procedure would upset the principle of priorities, and some of the other circumstances, led to selling that produced quotations that bore no relation to quality or treatment. These facts should be kept in mind in looking at past records.

In no other field are so many choices of this kind to be found. Most of the facts are not too difficult to find, because the facts and figures as to the railroads are available from many sources. Compare this kind of bond with most bonds in other industries. I doubt that there will again be a period when so little attention is paid to the intrinsic value of the underlier as was shown by price histories of the late 30's. The voice of intrinsic value was drowned by sales hysteria.

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Some Aspects of Investments In Railroads

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Future Earning Power

But what of future earning power and general railroad credit? This question immediately raises the discussion of gross business, competition, wages, rates, costs, governmental policies, and public relations. All of these must be thought through and followed, as with all other investments. Perhaps you can tell me where to escape these problems and still keep our institutions functioning. Perhaps the size of the order is also the reason we often hear some one say that the whole subject of investment cannot be other than a guessing game and that without good rules. The assignment of proper significance and judgment as to trends certainly requires training, experience, and almost an instinct rather than formulas, but adequate knowledge is absolutely essential.

Since the railroad business has become a volume production industry, our first consideration should be the amount of revenues which may be expected. Then we must try to find out what amount it may be reasonable to hope that management can convert into net earning power. History has shown that the roads have great ability to control expenses, but a limit must be expected in periods of low traffic.

If, in the post-war years, we are to see the national income in the $100-$125 billion range, as commonly discussed, I fail to see much to get worried about in regard to railroad traffic. That national income is some 50% higher than the figure for 1940. For many years there has been a reasonable relationship, around 6% between national income and railroad gross. The country will be in an extremely unhappy position should we go back to a business activity as low as that of 1940. While in that year the rails did not make a handsome showing, they earned their then fixed charges in most cases with a reasonable margin. With newly reduced charges and the larger gross resulting from more activity, a substantially smaller operating net ratio will be required to give protection to fixed charge requirements.

Truck Competition

Competition from trucks was, in general opinion, the matter of greatest concern during the 30's. Actually the volume of traffic lost was not so important as the loss in revenue due to voluntary rate reduction made by the roads to retain the higher class traffic most attractive to the motor carrier. Probably most of you are aware of what has been happening in that industry for a number of years now. First, regulation was placed under the Interstate Commerce Commission only as recently as 1940, which meant establishing uniform rates and rates related to costs. Secondily, unionization of employees has gone a long way to alter that aspect of this form of competition from ten years ago, both in connection with wages and hours. The result is that although present railroad rates are low, the roads showed a favorable operating ratio even in 1940, since when the ratio has been greatly improved; but in this same period the operating ratio for the trucks was becoming unfavorable. Recently most trucking companies have been asking for higher rates in order to show even a small margin of profit. The indication is that from this source of competition the roads have experienced the worst, and that they have good hopes of gaining back a portion of this lost business, especially where the haul is over about 150 miles. Truck and rail should be better coordinated.

In my opinion, decentralization of industry and resulting changes in traffic flow have been as important as truck competition. In some cases individual roads have gained; in others, lost volume of traffic from changes in industrial locations.

It might be well to clarify some hazy thinking on this subject by pointing out that the best figures available indicate that the portion of total freight ton mileage in the United States moved by the railroads in 1929 was about 74%. That handled by trucks was estimated at between three and four per cent. Pipelines took perhaps five per cent. Movement on the Great Lakes represented a high figure of some 15% because of the large volume of iron ore and coal. Only a small balance was carried on the inland waterways. The approximate share of the roads in 1940 was about 65%, with 7% for trucks, pipelines 9%, shipping on the Great Lakes 16%, and waterways something over 3%. Under war conditions the rail proportion has moved back above 70% with loss by all others except the pipelines.

Air Competition

It is the question of air traffic which will probably produce the largest volume of words in the near future. It seems probable that passenger traffic on the roads will suffer, although mostly in the longer haul Pullman business. Whether the improvements in cars and train services will be adequate to offset such loss is difficult to say. Since for most roads passenger traffic is normally operated at a loss, the question will be a nice one for each management to figure out as to how much money can be wisely spent in this field. Incidentally, I might remark that I have been rather astonished to find how few people who are well posted on railroad matters realize the proportion of net from freight operation which had been consumed over the years prior to the war by the losses on passenger business. Here, however, the railroad managements differ as to the fairness of accepting at face value the results obtained by using ICC accounting. Many people are also of the opinion that total travel will be greater after the war than in the decade before, so that the roads will have a larger demand from which to draw. Attractive equipment and shortened schedules might produce some real results, especially if operating costs of such trains are lowered as most estimates indicate.

What will happen in the freight or ordinary railroad business from plane competition over a period of years to still too difficult to gauge adequately. It seems to me that it is largely a question of costs and technological improvements. Although plane operations undoubtedly offer the larger field for advancement, there can be no doubt of improvements also in the rails. There is no question that the best estimate of the cost of moving freight by air immediately after the termination of the war, about 17 cents per ton mile, shows a rate so high in relation to most of the railroad business that little effect will be seen immediately. Do not forget that a thousand per cent increase in air-borne freight over the maximum to date by commercial planes would be only a fraction of one per cent of railroad net ton miles. While this subject will bear continued watching, it is not in my opinion one of the immediate problems.

The Operating Expense Problem

Wages, rates, and costs of supplies can, in this brief discussion, be grouped together because they are so closely interrelated. While the roads have a rather high percentage of wages in their total operating costs as compared with most other industries, it is a fact that for the last 20 years, a period of steadily increasing wages, the proportion of such expenses has remained in a narrow range. roughly between 40 and 47% of gross. In fact, in only one period before that did the figure get much higher, which was immediately following government operation during the last war. In general, I think that it is only fair to say that railroad wages bear a closer relationship to other wages in the country than for many years in the past. As wages have increased, the manpower required to produce a given unit of transportation has declined; and it does not seem that this will change for some time to come. More machine operation, better use of power, heavier loadings, and many technological improvements appear as each year goes by. As with most other industries, many improvements in method and equipment have been found during the war period. These will, without question, assist when traffic recedes. Furthermore, it is to be expected that overtime will be greatly reduced and average labor efficiency increased. Railroad costs are padded by such factors under war conditions. In most cases the roads' first consideration has been to move the traffic and assist the war effort regardless of cost.

It is of interest to note that on Class I roads approximately 1,250,000 employees handled in 1942 some 638 billion ton miles of freight business as compared with 1929 when 1,660,000 employees handled 447 billion ton miles. The 1942 payroll was $36,000,000 higher because of the wage scale increases, the hourly wage average showing over 85 cents as against 67 cents; but gross revenues at lowered rates were over a billion dollars higher. In order to produce an increase of net operating income of 19% above 1929, the roads performed 43% more freight service and even larger proportionate passenger service. In other words, the ton miles per employee increased greatly between these years.

Costs of supplies and materials will, of course, be related to the over-all price scales which all industry will have to deal with in post-war days. If costs and wages remain high or increase above the present level, it also follows that the present railroad rate structure is extremely low. With an average net ton mile rate of approximately 9⅓ mills, we have now the lowest rates for movement of freight for some 30 years. Other forms of transportation will necessarily be affected by high wages and costs; so that even though rail rates were increased modestly, they would still be relatively low. The action of the ICC has shown a realization of such factors in handling rate questions for a good many years. Even the latest extension of the reduction in rates appears to be largely influenced by the OPA and the tax effect on any additional rail net earnings.

Here I should like to throw in another comment on a subject which has been used to support arguments of various kinds as to railroad prospects. That is as to the present condition of the roads and their equipment due to war usage. It is my belief from study and observation that in general the physical plant carries some deferred maintenance but that improvements have more than counter-balanced so that on the whole the rail plant is better than ever before in history. Most of these improvements are permanent factors in lowering costs and providing better service. Conditions have forced the continued use of old equipment long since written out of the capital account, so that its disappearance after the war will be at no one's regret. As well as new equipment, further line and structual changes can be foreseen when materials and manpower are available, but all these should be beneficial. Under prosperous conditions the developments are almost unending. I can assure you that railroad management is looking over the thousands of factors and materials that enter into their daily problems.

Government Policies

It seems to me that it can be stated definitely that, on balance, governmental policies during the last 25 years have been directed toward producing reasonable results for the railroads. Congress has made several attempts. We have had in the ICC one of the best of the government regulating agencies. From the investor's point of view, it is easy to say that desired results have not been accomplished. But it seems to me that the ICC was not primarily responsible for the unfortunate showing during the 30's and that the ICC is to be more commended than blamed, especially if progress continues. Do not forget that there was a margin of net at the low point in 1932 of $326 million before interest; and some roads earned and paid dividends on stock at a time when many of our best corporations and industries were in the red. The latest move by the Department of Justice in the anti-trust suit against the western roads seems to be an illustration of a move disregarding facts and common sense, and I trust that these will prevail.

Directly involved in the questions of governmental regulation is the one of public relations as carried on by railroad management. The Association of American Railroads' program and reasonable efforts on the part of the individual roads can be continued and further developed. The excellent contribution made by the industry during the war should help. This is also important when we consider that there is no question of the fact that the railroads can be a considerable factor in supplying a portion of the post-war jobs. Much additional capital will have to be invested. Better track and facilities are required for faster trains, worn out and obsolete equipment must be replaced, cost saving machinery must be installed. Most of the present plant was installed before 1930, and a much reduced replacement program was forced on the roads during the following years. Will private funds be available to do the job? While some money will come from the strong current position now built up, few roads will not guard this newly experienced strength quite jealously. Increased depreciation charges will supply only a part. The assurance of a fair return to the investor and a reasonable chance to show earnings will depend to a substantial degree on the attitude and operation of public policies.

One of the discouraging factors has been that the portion of the transportation industry that handles almost three-quarters of our freight movement has been effected by all kinds of public policies and bodies, which in many ways seem to have forgotten that the investor is a part of the public interest. This greatest single private business has had to face the building of competitive methods of transportation by use of the funds of the taxpayers, including the railroads themselves, without full comprehension of all the results which might follow. Perhaps this will continue to the point where we can no longer have the railroads under private operation, but to my mind that would be most unfortunate and should be recognized as a long step toward socialization of our entire national economy. In the period immediately ahead, this major question must be thought out and clearly presented for the national decision. That the railroads have been able to stand up as well as they have against the pouring of tax money, even beyond the capital invested in the railways, into highways, waterways, airports, and other facilities, is a fact that should have real recognition when considering the vitality and the place of our railroads.

Essentials of Private Ownership

To the end that private ownership may be preserved in the transportation industry of this country, efforts must be directed to accomplish the understanding and realization of several important points. First, the industry must be profitable; second, the benefits of various types of transportation by common carriers should be recognized and fairly treated so that they are available to the entire industry; third, a reasonable number of competitive transportation systems should gradually be evolved out of all forms of facilities in order to give the greatest efficiency and economy in the service of the public. This is a large program. It will require ample and intelligent consideration. For a brief statement of the problem and suggested changes in national policy, let me refer you to the booklet presented early last year by the Transportation Association of America.

There is time here for only passing comment on the fact that labor has a real interest in the solution of these problems. During the years following 1929 it has appeared to many that labor had lost sight of the necessity of a strong industry if it were to continue to gain its purpose of a good wage scale and economic security. The old conflict will go on between technological improvements bringing labor displacement and organized effort to hold on to jobs no longer required under more efficient operation, unless there is a new period of expansion. The political position of labor has been extremely strong, but would soon feel the effect of throttling the flow of new capital funds. Previously invested capital has shown its vulnerability and much of it has paid a heavy price, with the result that it is very timid in future ventures unless given real encouragement. Wise union leadership must see this and act accordingly. Fortunately, leadership in railroad labor has generally been among the most able.

If we are to continue to have private management as a national policy and proper incentive, the railroad industry will continue for many years to be a dynamic industry able to produce a reasonable profit. On the other hand, should the regulative processes not be directed to these objectives, investments in railroad securities will be only one of the various types which will suffer.

From studying these and other factors, it seems to me that there is a proper basis for investment values in railroad bonds. I have briefly mentioned the unique position of some of the underlying securities in this field for the cautious or conservative. There is still a fair supply and in general a better rate of return than afforded by other bonds open to our consideration. In some cases, junior mortgages have, by reduction of debt, come into better relative position. For those who can afford to take larger risks or think that they can gauge the various factors more closely, there is larger reward in many junior bonds. In almost any cause, it

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seems improbable that there will be cause to worry about receiverships again in the immediate post-war period even if business conditions are surprisingly unsatisfactory. This is because of the unprecedented current assets positions which have been built up, in addition to debt reduction, so that even many of the roads which have in the past made the poorest showing under adverse conditions could be expected to tide through several years of poor earnings. Exactly what effect such conditions in the transition period would have upon market values is difficult to foresee fully; but at least temporarily, danger of defaults would seem to be removed.

Railroad Equities

Although interested primarily in railroad bonds, I should like to add a short comment on equities. A simple but almost accurate statement can be used in most investment analysis as a starting point, if bonds of a company are really sound and promise continued confidence, the equity must be worthy of consideration. This does not mean that there must be stability of earnings or market quotations; and in this comment I ask you to think of the record of a company like General Motors. But it does mean a satisfactory earnings indication and ability to pay dividends with reasonable regularity. That is why through all trials and doubts many able investors have continued to hold Pennsylvania stock.

While the various improvements which have been referred to briefly have been going on, stocks which had been selling at almost nothing have been greatly benefited. Some of this change has been reflected in wide price increases from extremely low levels; but as yet the improvement almost entirely disregards the values behind these stocks in pre-depression times. If the market judgment as to the values of most non-railroad common stocks is right at present levels, it must be because the outlook is good for substantial business activity and profit margins. Under such conditions many rail stocks look to me to be undervalued and just beginning to be considered as an investment medium.

It is my personal belief that we shall see further progress in mass psychology if I am anywhere near right in my guess that most investors will increasingly come to the conclusion that railroad securities now are sound; that they can be counted upon; and that here is a proper medium for placing funds which do not seem to be able to earn an adequate return in any other direction. Most institutions and individuals have a relatively small percentage of their resources in the railroad field today. As investment funds increase, the available supply will continue to become smaller in proportion. This seems to be a safe guess for some years to come, even though there will have to be substantial additional amounts invested in the roads to increase their equipment and the facilities necessary to handle their share of national transportation at low cost.

ABA War Loan Manual Stresses Ind. Sales

The sale of War Bonds to individuals as a means of combating inflation is emphasized in the sales manual for the 7th War Loan Drive just published by the American Bankers Association and distributed to the banks of the nation. This manual entitled, "Banks and the Seventh War Loan," was prepared by the Association's Committee on War Bond Drives, of which Tom K. Smith, President of The Boatmen's National Bank, St. Louis, Mo., is Chairman.

"The sale of $4,000,000,000 in E Bonds as a part of the $14,000,000,000 to be raised in the 7th War Loan makes this drive the biggest security-selling task in history," said ABA President W. Randolph Burgess, who is also vice chairman of board, The National City Bank of New York, N. Y. "The United States Treasury has again asked banks to play a leading part in this drive. As these E Bonds are to be sold to individuals and are in small denominations, the job of soliciting prospects will require a large force of sales people. It is estimated that the drive, the country over, will enlist six million volunteer bond sellers who will be in contact with approximately eighty-five million War Bond buyers during the period from May 14 to June 30.

Says European Reconstruction Will Be Slow

National City Bank of New York Sees Difficult Problems Ahead, With a Different Pattern of Reconstruction for Each Separate Country. Much Depends on Restoration of Intra-European Trade of Which Industrialized Germany Had Been the Hub.

Predicting that "reconstruction on the continent of Europe is almost certain to be slower than after the First World War," and that the "pattern of reconstruction is likely to differ greatly from country to country" the May issue of the "Monthly Bank Letter" of the National City Bank of New York analyses the situations to be dealt with in each of the devastated areas.

"The problem of economic reconstruction fundamentally involves not only restoration of production and resumption of the exchange of goods, but adjustment to changes resulting from the war," comments the "Letter." "To define it in terms of a return to pre-war conditions is inadequate, because there can be no such return. The situation after the war will not be the same as before, either because of shifts in boundaries and resources, because of the steps that will be taken to make Germany militarily impotent, or because of changed political and social factors.

"However, this broader readjustment is not the subject of first importance now, when the urgent problems are to produce and distribute food, to get railways and road transport in operation, to move displaced people where they belong, to provide housing, and to obtain the essential first supplies of material and equipment to enable the industries to start on the long road of recovery. The condition of the land, of the industrial plant, and of transportation are the basic factors."

Contrasting the situation with that following World War I the "Letter" states that "in 1918 the war ended abruptly. There was enough railway equipment in most countries, although it was over-age and in need of repair. Except in Northern France, Belgium, and part of Eastern Europe, where the industrial plant suffered from destruction, rehabilitation during the first year was primarily a problem of getting shipping space, of securing raw materials and foodstuffs, and of reconverting to peacetime production.

"Now the presumption is that even when resistance on the Continent ends, war will go on in the Pacific. Continuation of controls over the use of shipping, raw materials, and foodstuffs is to be expected. An important part of the world, Southeastern Asia, with its wealth of raw materials and foodstuffs, will still be out of reach. Over all will be the immensely greater problems of rebuilding and repair."

"Two conclusions may be drawn from the currently available information," it is stated. "First, reconstruction on the Continent of Europe is almost certain to be slower than after the First World War. Second, the pattern of reconstruction is likely to differ greatly from country to country. Not only are there different problems, different starting periods, and different physical conditions, but there are different governmental approaches and different political and social doctrines."

Regarding post-war Germany, the National City analysis says that "of all Continental countries, Germany will unquestionably be faced with the longest and thorniest road to reconstruction. Most of her industrial plant is virtually wiped out. If announced intentions are followed, Germany will be permanently deprived of some of her most valuable mineral resources in Upper Silesia and probably in the Saar. She may lose agricultural lands in the East which produced almost 30% of her basic foodstuffs."

"There will be reparation claims against Germany for goods stolen from her neighbors and for war damages. She may be stripped of some of her remaining equipment, and German manpower may be used to aid reconstruction in the countries devastated by her armies. She will certainly be the last to obtain outside help.

"The restoration of normal economic life will be further retarded by the necessity of military occupation, which may continue for a long time, especially if guerilla warfare or sabotage is attempted. Since each occupation zone will be governed independently, the extent of communication, transportation, and trade among the zones is doubtful. Most of the surplus food producing areas left to Germany will be in the Russian occupation zone, while the more industrialized districts will be occupied by the Western Allies. Military occupation may interfere also with the distribution of coal, around which the modern Germany industry has been built. It is said that as a result of war damage and dispersal of the miners, coal output may not be restored to even one-fourth of normal by winter."

As to the consequences of the destruction of normal economic life in Germany, it is pointed out that over 60% of Germany's peacetime trade was with other European countries and "she was particularly important as a supplier of industrial goods and as a market for agricultural products of the great area of Central and Southeastern Europe stretching from Poland to Greece, and including over 110 million people or almost one-third of the Continent's population, excluding Russia. In 1937, she received over 20% of total exports of the seven Danubian and Balkan countries and provided them with almost 25% of their imports."

"It is seldom realized," concludes the analysis, "how large and important intra-European trade has been. In the pre-war years it was actually larger than the trade of Europe with the outside world, and considerably larger than the trade of non-European Continents with each other. The bulk of this trade was among the industrial countries of the Continent which exchanged with each other important raw materials and also various specialized manufactures.

"The question now is, what will happen to this intra-European trade if it is not restored to its old channels, with industrialized Germany as the hub? For dependence of many Eureopean countries on German markets, in both directions, had been increased by the German bilateral trade policy of the '30s, and in the '40s the conqueror had geared their economies into even closer relationship with its own."

Rubber for Argentina

It has been officially announced that the United States and Brazil have signed a rubber agreement with Argentina under which her tire and rubber needs will soon be supplied, a United Press report from Buenos Aires stated, May 2.

The Securities Salesman's Corner

By JOHN DUTTON

Another Ad That Produced Leads

Amos C. Sudler & Co. of Denver, Colo., received 40 replies to the advertisement reproduced below. It is interesting to analyze the reasons why such ads pull. First, the layout is attractive. White space is well used to set off the copy from the rest of the page. Such ads STAND OUT. Secondly, note the first line ABOVE the heading: "Obtain This New 85-Page Booklet." Something important is being offered.

Notice, again, how new industries, such as electronics, plastics, synthetic rubber are played up. These are the fields in which the public is interested today. Here, in other words, is an opportunity to gain knowledge and valuable information. The punch line, "We expect a limited supply shortly," supplies an impetus for action. Then it does not stop here, but the ad itself supplies a convenient and easy way for the reader to secure the booklet, since a space is provided for the reader to sign name and address, clip out the ad, and mail.

* * *

It is true that this type of advertising will bring in quite a few leads that cannot be converted into customers, because there is usually a considerable percentage of people who are just curiosity seekers. Nevertheless the leads that are produced in many instances come from people who are substantial investors. And it usually also follows that leads such as these are from investors who are forward-looking in their ideas; optimistis make good security buyers. As a matter of fact, no advertising, in and because of itself, will sell securities, except in a very exceptional case. The purpose of all such advertising is to PRODUCE POSSIBLE LEADS. The sales organization must qualify the leads received. However, when one ad produces 40 inquiries, it is a reasonable assumption that at least from two to four accounts can be opened if they are properly followed and cultivated. This is based upon a 5% to 10% conversion of leads into active accounts.

The size of an account can never be determined in advance. That is the interesting feature of the possibilities of this type of financial advertising. One account can pay for the entire cost of many months of such advertising. That is why the potential returns from consistent advertising of this kind cannot be accurately evaluated in advance. The law of averages will make it pay IN DIRECT RETURNS. If leads are followed, the experience of those who have adhered to a steady program will show that not one large account, but many of them can be opened as times goes on. The usual number of smaller accounts, of course, also add to the total results achieved.

An important point to remember in this type of advertising is to offer something worthwhile. In fact, every piece of literature which is sent out by a dealer should have some "tone" to it. You are judged by the literature you mail out, just the same as a man is often judged by his appearance. If you send out a booklet, or an analysis, MAKE IT SOMETHING WORTHY OF YOUR NAME. It is better to spend a few dollars more and do a good job.

Cheap and shoddy paper and printing should be avoided—better send nothing than an inferior mailing. Combine a constructive offer, timed right, with an imposing and clear presentation of your ideas and you are off to the right start. The door is open from this point on and the sales organization can go to work with confidence.

Every salesman needs new leads and new material. If he has good ideas to present, and his firm has paved the way, it becomes a strong incentive for him to go to work. This is another reason why such advertising pays. Stimulated salesmen are productive salesmen—it keeps them from going stale. An alert sales organization is on the job—out there day after day securing all the other business that is available. So even in respect to the other business not directly connected with the leads produced by such advertising, it PAYS DIVIDENDS.

Kingsbury-Alvis Adds Woodham and Pope

NEW ORLEANS, LA.—Kingsbury and Alvis, Hibernia Building, announce that Kelly Woodham and Jim B. Pope have been added to their staff.

Mr. Woodham will represent the firm in north Louisiana. He is a graduate of Davidson College, Davidson, North Carolina, class of 1927. After leaving college he was Head Master of Chamberlain Hunt Military Academy, Port Gibson, Mississippi, then manager of the largest wholesale tobacco house in the State of Mississippi with headquarters at Meridian, Mississippi. In 1940 he was called to active duty by the Army with the rank of First Lieutenant. He was discharged from the Army in March, 1945, with the rank of Major, having served "overseas". He is a member of the Kiwanis Club. He has had no previous experience in the bond business.

Mr. Pope will be sales representative in north Mississippi. Mr. Pope is a graduate of Southwestern University, Memphis, Tennessee, class of 1927. After completing college he was connected with the First Columbus National Bank, Columbus, Mississippi, as a clerk. In 1936 he became affiliated with the First National Bank of Memphis, representing them in north Mississippi, which connection he held for two years. He then returned to the First Columbus National Bank as cashier, and later became Vice-President of that institution. The two years he was connected with the First National Bank of Memphis he acted as both bond salesman and buyer for that institution.

U. S. Plywood 100,000 Common Shares Offered

An underwriting group headed by Eastman, Dillion & Co. on May 9 offered to the public a new issue of 100,000 shares ($1 par) common stock of United States Plywood Corp., at $28.50 per share. Net proceeds of the financing will be used in connection with the company's program for plant expansion and improvement, and for additional working capital.

Upon completion of this financing and the issuance to stockholders of one share of common stock for each share held on May 2, 1945, the company will have outstanding 14,416 shares of 4¾% cumulative preferred stock, series A ($100 par); 9,804 shares of 4½% cumulative preferred stock, series B ($100 par), and 699,865 shares ($1 par) common stock.

Crouse Bennett to Admit

DETROIT, MICH.—Crouse, Bennett, Smith & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges, will admit Joseph Albert Mahoney to partnership in their firm as of June 1. Mr. Mahoney is manager of the trading department of the firm.

Price Prospects and Price Indexes

(Continued from first page)

other plans, and by no means least, rationing at the retail level for scarce foods, shoes, tires, and other articles. Equally important is the phenomenal increase in productive facilities and in volume of output, especially in basic metals like steel and aluminum; basic chemicals, and other raw and semi-finished materials necessary for the munitions of war. Synthetic rubber is a case in point. There has been, moreover, a tremendous increase in agricultural production. Otherwise, prices of foodstuffs would have risen even more than they have.

Before we begin to assess price prospects let us look at the record of the past 5½ years in somewhat more detail. First, take the prices of living essentials at retail. This is the yardstick by which the success of the anti-inflation program has largely been judged in the United States in this war. How much more has it cost the people of this country to buy the everyday things they need for family living? According to the Bureau of Labor Statistics' index of the cost of living, the rise in average retail prices of goods and services and of rents in large cities has been almost 29% from August, 1939, to March, 1945. The President's Committee on the Cost of Living indicated that an additional 3½ to 4½ points should be added for the period from January, 1941, to September, 1944, to allow for the factors that this index does not fully take into account. These include the lowered quality of many articles (especially clothing), the disappearance of low-priced merchandise which is largely but not fully reflected in the index, and a number of other "hidden" price increases, together with an differential advances in prices and in rents that may have occurred in small towns as opposed to large cities. If this allowance is added, the rise in retail prices of living essentials is in the neighborhood of 33% for the war period. The Bureau of Labor Statistics would be the last to maintain that its cost of living index is a precise yardstick. All such indexes have a margin of error in normal times, and in war-time or in depression that margin inevitably widens.

However, a price rise of one-third is only about one-half as large as the rise from July, 1914, to the time of the Armistice in November, 1918, and such a great difference leaves no doubt of the greater success of price control in this war. Within this general average, food prices, about 40% of the moderate-income family's budget, are up over 45%; clothing and the few housefurnishings that are still available are up about an equal amount (43.3 and 43.6, respectively); rent less than 4%, and miscellaneous goods and services about 23%. These disparities are important for future prospects.

Much the same picture of a moderate average rise as compared with the last war is shown by the index of wholesale prices. Here, again, taking the Bureau of Labor Statistics' wholesale price index as a guide, prices have shown a rise of about 40% to mid-April, 1945, as compared with a rise more than 2½ times as great from July, 1914, to the time of the Armistice.

The wholesale price index, as this group well knows, is made up of quotations from organized markets for raw materials, and from manufacturers and dealers for semi-fibricated and finished goods. Most of these are f.o.b. factory. All types of products are included—agricultural products such as cotton, grain, livestock, and feeds, as well as finished consumers' goods, such as shoes, clothing, and foodstuffs, coal and other fuels, paper, steel, chemicals and other raw materials; and the products of heavy industry. They are combined in line with their importance in the pre-war economy, not the war-time economy.

The greatest rise in primary market prices has been in prices of farm products, which have more than doubled; in food, which are up 57%; in fats and oils (up 150%); in basic textile products, which are up 46%; in hides and skins (up 51%); in lumber, which is up over 70%, and in certain imported goods, notably drugs, pepper and other spices, non of which are particularly important to the whole economic picture, but which have advanced very greatly in price.

If we exclude farm products and foods, which were selling at very low prices indeed in the summer of 1939, when the European war broke out, and for which some price rise was to be expected in any case, the rise for all other commodities has been less than 25%.

Prices Held Down

An extraordinarily good job has been done in holding down prices of raw materials and semi-finished goods which are used in the munitions of war. This is true of basic chemicals, steel and other metals, and most building materials, with the exception of lumber. All of these were controlled early in the war—that is, in 1942—and quite successfully. Munitions manufacturers have thereby been saved one of the real difficulties of production in the last war, namely, the gamble on rapid price rises. This price stability has no doubt had a very salutary effect upon war production, and it is, I think, regrettable that we have failed to give adequate credit to producers and to Government alike for this outstanding success.

This index of wholesale prices does not—and cannot—tell the whole story of prices in the American economy during war-time. It is fashioned to follow price changes for the goods that normally go into channels of production and distribution, and is made on a peace-time pattern. At the present time about half of the productive resources of the nation are going into the production of materials and supplies for war. Some of these are very high-cost and high-priced goods—airframes, battleships, 88-mm. guns, ammunition, bombs, tanks—which have no counterpart in the peace-time economy. As an Army officer observed to me recently: "You could clothe a small village for the cost of a mobile 88 gun."

Our production indexes and our figures on national income contain this vast growth in high-priced, high-cost materiel. The wholesale price index does not and cannot include prices for these war products. There is no way to measure the jump in price level occasioned by a shift from making bedsprings to tank parts, or automobiles to airframes. The national income is swollen to the phenomenal total of $161,000,000,000 in 1944, and the Federal Reserve index of industrial production is up from 106 in August, 1939, to 235 in February, 1945. Nor has the Bureau of Labor Statistics incorporated into its general index any measure of changes in prices of munitions since these war purchases first began. To those of you who use price indexes in connection with national income, for example, let me warn you not to use the Bureau's index as a deflator. Over half of the national income is not represented in the price index in any way except insofar as raw materials used in manufacturing are reflected there.

New Tools in Price Indexing

That type of analysis requires new tools. The complete deflator for national income in a war economy is not available and will perhaps never be, but there are two new indexes which will contribute. There are, first of all, measures of changes in contract prices paid by the War Department and the Navy Department for munitions and supplies.

So far as prices of military items are concerned, there has been a marked decline as the war has gone on. Unit prices for guns and tanks and ships' supplies and airframes were initially very high indeed. They have come down substantially during the course of the last two and a half years. Contract prices for purchases by the War Department have declined about one-fifth from the autumn of 1942 to March, 1945, and for the Navy Department by about 17% from October, 1942, to the end of 1944. This takes no account of profits recaptured through renegotiation with individual companies, but it does take account of month-by-month changes in the prices at which new contracts for the same or similar goods have been signed, following renegotiation.

The great reductions have come in munitions items like tanks and guns and airplanes, whereas the prices of food, clothing, and other equipment items paid by Army and Navy buyers have advanced in much the same way as in civilian markets. This is the first time, as far as I know, that any country has attempted, in the course of the war, to keep a systematic summary in the form of index numbers of prices paid for goods to prosecute a major war. The War Department and the Navy Department are to be congratulated for their foresight, both in providing systematic comparative price records for current use by purchasing officers and also for providing summaries for the Congress and the public.

Price Changes in Civilian Goods

Meanwhile, what has happened to the civilian counterpart of the economy? This is shown in an analytical index especially developed by the Bureau of Labor Statistics for tracing the course of prices in the civilian as opposed to the military economy. This is the first time that this index has been publicly presented. Over the period from January, 1939, to April, 1945, it is up more than the general price level at wholesale, which includes materials for munitions. The rise is 45%, as compared with 37% for the more comprehensive standard index. It shows a rise of 7½% from October, 1942, to April, 1945, at a time when the index of wholesale prices in general was advancing 5½%.

This rise is the result of greater importance to the civilian economy in war-time than in peace-time of food, textile fibers, and clothing, fuel and other consumption goods that have advanced more rapidly in price than the prices of materials for use in heavy industry which is now largely diverted to war purposes.

This index is made up of 125 items important to the civilian economy either directly or indirectly, for use in the making of civilian products. It is weighted according to the amount estimated to be available for civilian consumption in the year 1943. Thus it has no automobiles, and only a small weight for metals, consumers' durable goods and tires. It is heavily weighted with farm products, food and clothing, fuel and other products which were actually going into the civilian economy in that year. Furthermore, it contains a number of products, such as fresh vegetables, which are not in the present wholesale price index.

These yardsticks give us an indication of the point from which we take off in charting a road to a peace-time economy.

Price Prospects

Now for the immediate prospect for prices while present price, rationing, and production controls still hold. Following a period of nearly two years of considerable stability after the issue of the "hold-the-line" order in the spring of 1943, great pressure has developed recently on the Office of Price Administration for upward adjustments of prices of a number of key commodities at the wholesale level in order to induce greater production. A succession of such adjustments has been authorized in the course of the past year, including wheat, coal, certain steel products, lumber, paper, woolpulp, and major cotton textiles under the Bankhead amendment of last summer. There also have been increases because of higher costs with reduced volume in cement, brick and tile. None of these increases was large enough to cause much advance in the general average.

More recently, however, pressure has been particularly heavy in the livestock markets with the growing meat shortage, and in this past month upward adjustments have been made in livestock prices. Such pressures will be intensified as costs rise, in some cases because of labor shortages and the need to pay higher wages, and in still other cases because of reduced volume of production of certain types of war-time goods as orders slacken.

In the last two months the index of wholesale prices has risen 0.6%, and it is my belief that there will be a further rise during the course of the next few months, not, however, of any great dimensions. It might approximate 2% to 3%. It is now clear policy that each advance will be resisted individually by control authorities in order to hold the line against a spiral of rising prices, rising wages, and further rises in prices.

It should be noted that few of these recent prices advances have been felt directly in retail markets. In the case of meats, increased subsidies would permit absorption of added costs in order to avoid a higher retail price level. In retail markets the principal advances for the past two years since the hold-the-line order have been in cothing, up 12½%, housefurnishings and household textiles, up 15%, due almost solely to the continued disappearance of low-priced merchandise and the substitution of higher-priced lines in a field in which quality is peculiarly difficult to judge. This rise is likely to continue at least for a few months, particularly in view of the continued needs of the war in the Pacific and for the relief program for occupied countries. The way to reduce the cost of clothing is to reintroduce into the market ample supplies of clothing and fabrics selling at lower price lines than are now generally available. Steps in this direction are now being taken, as we all know, by the Office of Price Administration and the War Production Board, but it is unlikely that they can work through to retail markets for several months.

Post-War Control a Political Question

After the official end of hositilities the course of prices and rents will turn almost wholly on whether some or all of the present controls are continued, and the length of time for which they are maintained. It will depend further upon the funds and personnel available for enforcement and the general attitude of the country with regard to controls. It is not wholly a question of the potential demand and the supply of goods. It is essentially a political question. It is not one on which I would risk a forecast. Those forecasts are much more realistic when they come from outside of Washington. This much is clear: Accumulated purchasing power in the hands of individuals is very great. If price control, rent regulations, and rationing, together with some controls over materials, are not maintained until such time as our production lines are turning out adequate supplies to meet the bulk of current demand, there is likely to be a rapid price rise for certain scarce articles. This would apply particularly to scarce consumers' goods and the materials from which they are made, and to rents. It is to be hoped that this will not be permitted to happen. It was in the spring of 1920, not in 1918, that prices of cost-of-living commodities reached their peak—when sugar sold for 27 cents a pound, and textiles, clothing and shoes reached their highest levels for the war period, and everybody talked about the "high cost of living."

No Price Decline After V-E Day

There have been predictions in some quarters that the cost of living would decline after V-E Day. I want to take issue with this position. I do not believe that the cost of living index can be expected to decline except for seasonal changes for some time after the end of the war with Japan. The reasons are these:

In the first place, it is unlikely that prices of foodstuffs will come down except for seasonal declines, while the tremendous demand from the war-torn countries of Europe continues—as it must for at least two seasons—and while a sizable Army and Navy is being maintained. Civilian demands for certain kinds of foodstuffs like beef and butter are by no means being fully met at the present time, and rationing alone is preventing an even more serious black market than now exists. Even if civilian incomes were cut with the reduction of war orders and unemployment in certain areas, I do not believe that this can persist long or be widespread while the war with Japan is on, in view of efforts toward speedy reconversion.

With regard to clothing, it is going to be some time before ample stocks of low and moderate priced merchandise come back into the market. Until that happens, this index cannot possibly move down. Reduction of military orders will, of course, make more textiles and clothing available to civilians fairly promptly, but demand remains large. More than that, it is my opinion that the first improvement in the domestic clothing situation, following the reintroduction of some of the lower-priced lines, will take the form of improved quality rather than competition in the form of lower prices, and I believe that the public would generally approve of such a policy.

Price Changes in Durable Goods

Finally, with regard to the durable goods, OPA has indicated that it hopes to return those goods to the market close to 1942 price levels. This may or may not be fully effective. Much depends upon the possible course of wages. For readily idenitfiable items like automobiles or standard model refrigerators, the first question is whether producers will make more deluxe lines at high prices rather than standard lines. If standard models should be made at 1942 prices, this component of the cost of living index will come down somewhat because the weight of most of the durable goods in the cost of living index has been attributed to all other items in the index. Since food is a large part of the remainder, and food prices have advanced more than other prices, the reintroduction of pre-war consumers' durable goods at 1942 prices would lower the index slightly. Where goods are not readily identifiable by models, and where costs of production have risen materially, as for example furniture, it is unlikely that 1942 prices can be maintained. Experience in 1944 with the reintroduction of pre-war types of spring-filled upholstered furniture substantiates this conclusion.

Rents

Finally, there is rent. Normally rent makes up 17% to 20% of the budget of families with moderate incomes. Rents for the same kinds of houses have risen very little in the larger cities of the country since 1939—an average of 3.8%. There is great pressure on rent ceilings because of higher costs of maintenance and repairs and because other groups in the community have enjoyed relatively greater increases in incomes than landlords. More than that, building costs have advanced materially during the war, both for materials such as lumber, and for labor. The cost of building new homes for rent or for sale is going to be substantially higher after the war than before. Pressures of this kind mean that even with continued rent control it is going to be very difficult to keep rents from rising, particularly for more desirable houses. It was *after* the last war that the advance in rents occurred. In fact, rents rose throughout the decade of the 1920s to a peak in 1928.

For these reasons it seems to me very unlikely that the cost of living index will decline for some time after V-J Day. The danger is that it may rise.

Long Run Outlook

For the long run, of course, the outlook is entirely different. It is for lower prices of foodstuffs, because of our large current production in the relation to demand, once Europe's most urgent needs are met, and the Army is in good part demobilized. Food is the most important single element in living costs. Clothing prices, too, will decline as competition increases after the same two conditions are met. Some kinds of clothing—like nylon hosiery—are likely to sell below pre-war prices. Again, over the long period, prices of durable goods may continue their long-term declining trend, even though for a time they are at higher levels than in 1939. This, however, is debatable if labor and materials costs rise. Rents remain the major element in living costs in which no decline seems probable in the next several years, even though there will, of course, be localities in which rents will cut back sharply as war contracts are concluded or camps are shut. This is especially true in small communities.

In primary markets the situation is more difficult to forecast, particularly in the absence of a final policy on release of controls of supplies of certain materials. Here are some of the elements:

For materials which are directly connected with the war effort and for which extended wartime demand will suddenly cease, drastic declines are inevitable. An illustration is mercury, which dropped $50 a flask in the autumn of 1944, when the miliary news from Europe was good, and rose again during the Battle of the Bulge and the resumption of military orders.

For fabricated products for which capacity has greatly increased during the war, like aluminum and magnesium, there is the distinct possibility of still lower prices in order to extend markets. For steel and other metals, for which capacity has also increased, prices have been maintained during the war at levels only slightly higher than pre-war prices, notwithstanding greatly increased wage rates. This has been possible because of enormous volume and some improvements in productive efficiency with new and more effective machinery. Industry is now taking the general position that prices must rise when volume is cut back, with wages remaining at their present levels or going to higher levels. Added capacity may have little to do with the price level, especially where a comparatively small number of large producers are involved and prices are not subject to the same kind of competition as in industries with many small producers.

In the non-ferrous metals, subsidies have maintained marginal production and prices may rise.

For building materials, lumber prices will remain high for a time and then decline somewhat as military demands ease off. In my opinion prices are unlikely to return to pre-war levels for a long time because of large-scale building demands. We face a permanently higher lever of building materials prices for some time after V-J Day.

On fuels there is little chance of reduced prices, either for coal or oil until after the end of the Japanese war, and then not for some time.

For machinery, tools, implements and other producers' goods, some price advances are certain to be urged on the grounds of higher costs when war orders are over and smaller civilian output replaces them.

Consumers' goods and their basic materials present more of a problem. In textile fabrics, the outlook is for lower prices for wool than at present, and, in the long run, for rayon. Cotton remains an enigma. It is selling at 22.4 cents a pound. World markets will not maintain that level indefinitely, though they may for some time. In the long run, however, cotton prices in world markets will come down.

Farm Prices

The final question is the key to the story, namely: What will happen to prices of farm products? They are up over 100%, with unusually large crops and an exceptional production record—even though livestock marketings are currently much smaller than last year. Floors have been guaranteed at 90% of parity for the basic agricultural products for two full seasons after the end of the war—not in Europe, presumably, but in Japan as well. In those circumstances, it is difficult to see how these prices can decline greatly as a group. For the long run, of course, the story may be entirely different. I, for one, will not even hazard a guess at this juncture.

In a situation such as this, those of us whose business is the making of price indexes cannot emphasize too strongly the importance of considering the components of those indexes rather than the overall averages. It has long been a habit of economists to discuss what they are pleased to call "the general price level." The comparative stability of that general price level as measured by the Bureau's index throughout the boom of the 1920's was one of the most frequently quoted defenses of the "new era" school of thought. It was a convincing sounding but an entirely deceptive defense. They said, in effect, "This boom cannot be unsound because prices have not risen. The index of the Bureau of Labor Statistics is up only 1.4% from 1923 to 1926." The fact is, as hindsight permits us now to see, that, to be consistent with a sound economy, the price index should have fallen. Had we at that time analyzed the elements of that index, and, more importantly, had we followed the line suggested by Mr. Carl Snyder and given due importance to other price and value aspects of the economy, notably the mad rise of stock prices and the fall in bond prices and the rise in speculative real estate values in American cities, we should have been forewarned.

Limitations of Price Indexes

What I am saying for today, therefore, is this: The so-called "general level" of wholesale prices is a reflection of many segments of an economy gravely unbalanced by war *and omitting in large measure the actual war component of the economy.* Stability of the overall index, should it be achieved, may conceal an economic situation so unsound or so unbalanced as to lead to unemployment, to uncertainty, to a depression on the one hand, or to runaway prices in certain parts of the economy on the other. The great danger, it seems to me, lies not so much in commodity prices, as in prices of equities, including equities in property. We are now experiencing a rapid and continuing rise in farm prices, not unlike that of the last war. Unfortunately, we have no gauge whatsoever for prices of one of our unregulated and most important commodities, namely, urban real estate, but it also has risen rapidly. In such a rise there is the possibility of the loss of savings by millions of people. It is these values, as well as commodity prices, that must be watched.

O'Hara and Gass Join Doremus & Co. Staff

William H. Long, Jr., President of Doremus & Co., 120 Broadway, New York City, announces that Bernard S. O'Hara, formerly of the Associated Press, and F. P. Gass have become associated with the New York Public Relations Department of that advertising agency.

Mr. O'Hara joined the financial news staff of the Associated Press in 1932. Prior to that time he was on the staff of the New York "Sun" and before that with the former New York Stock Exchange firm of Munds & Winslow. He began his career in Wall Street as a reporter for Dow, Jones & Co. Mr. O'Hara was Secretary of the New York Financial Writers Association this past year.

A graduate of the University of Missouri, where he taught for several years, and of the University of Oxford, Mr. Gass for the past nine years has been associated with the Glass Container Association, a trade association representing the machine-blown glass container manufacturers of the United States. Part of that time he was associated with the Mandeville Press Bureau.

Gibson Refrigerator Co. Stock Marketed

Paul H. Davis & Co. and Shillinglaw, Bolger & Co., Inc., headed a banking group which May 7 made public offering of 247,140 shares ($1 par) common stock of the Gibson Refrigerator Co. of Greenville, Mich., at $11.75 per share. The block offered represents a portion of present holdings of three stockholders and none of the proceeds will accrue to the company.

The directors of the company have announced their intention of placing the common stock on a 60 cents per share annual basis. The first of such payments is expected on or about August 1.

Canadian Securities

By BRUCE WILLIAMS

During the war Canada has undergone a marked and rather wonderful metamorphosis. Its horizons have broadened and brightened. The mentality of its people has been transformed. No longer can it be said that the Canadian population is crowding along its southernmost border and jostling around the portals of a neglected northern empire. The Canadian vision has sharpened and widened and the true position and responsibility of Canada in the world scheme is now appreciated.

At this crucial stage looking towards world rehabilitation and reconstruction, the Canadian role becomes ever clearer. Outside this country no other is better qualified to fill the breach than Canada. Its will in this direction is already evident and is well demonstrated by the Dominion extension to all the Allied Nations of generous mutual aid and the spontaneous offers of gifts of food to Greece and India.

Moreover, the gigantic wartime inroads into the world's stocks of basic materials emphasize the tremendous importance of Canada's vast virgin agricultural and mineral resources, the exploitation of which has been initiated by war necessity. To some degree the small population of the Dominion can prove to be a temporary asset and with the aid of modern technology huge accumulations of necessary foods and materials can be produced far beyond the needs of domestic consumption.

Great fertile tracts of land in the Peace River district of Alberta and the valleys of northern British Columbia are virtually unscratched. As far as building materials are concerned, Canada has almost a monopoly of the world's asbestos and gypsum resources, almost unrivaled timber resources, is the world's cheapest producer of zinc and lead and has ample surplus of low cost copper.

Looking further into the future in the light of recent events, it can be seen that Canada can also play a great part as a world supplier in certain fields in which hitherto the Dominion has depended on outside supplies. Canada's postwar scheme for full employment does not have to depend on more or less sterile efforts along the lines of public works.

Construction of roads and railroads to areas in which are situated the vast coal fields of Alberta and British Columbia, the 24,000 square miles of high grade iron ore in Labrador and Quebec, the newly discovered oil pools in the prairie provinces, the Athabasca tar-sands, and the wartime discoveries of previous metals in the North West Territories, would alone solve the Canadian employment problem. When, however, the Dominion's newly etsablished war industries are considered—aluminum, magnesium, synthetic rubber, plastics, aircraft, shipbuilding, chemicals and electronic apparatus, to mention but a few—it will be readily realized that Canada, in order to take its proper place in the world economic system, must take steps to remedy its great deficiency in population.

With regard to the market for the past week, there was still a steady demand for the longer-term high grades, but in the absence of ample supply the turnover continued to be restricted. Greatest activity again centered around the more speculative issues with the long-term Alberta 4½s at 109 discounting an imminent and favorable debt refunding offer. Saskatchewan long 4½s were also in demand following the lowering of the rate of the treasury bills held by the chartered banks from 3 to 2½% and expectation of similar action in respect of those held by the Dominion Government. Montreals, although showing little change price-wise, improved in tone. Internal issues were fairly active and with demand continuing for the new Victory Loan bonds and mining issues, free funds held firm at 9 3/16%.

Turning to the possible future trend, it is likely that the market will continue to be dominated by the general investment demand for assured income in conformity with the present pattern of interest rates, and that the Federal election issue will be considered either a subordinate factor or one that should not give rise to misgiving.

J. Earle May Admits W. K. Thoits as Partner

PALO ALTO, CALIF.—J. Earle May has admitted Willis K. Thoits as a limited partner and hereafter will conduct his investment business under the firm name of J. Earle May & Co. Mr. May was previously an individual dealer in Palo Alto. Offices are located at 156 University Avenue.

Seagram Debenture Issue Offered at 102

A nationwide group of underwriters headed by Harriman Ripley & Co., Inc., on May 9 offered $50,000,000 Joseph E. Seagram & Sons, Inc., 20-year 3¼% debentures, due May 1, 1965 at 102% and accrued interest.

Direct obligations of Joseph E. Seagram & Sons, Inc., an Indiana corporation, the debentures are also guaranteed by endorsement as to payment of principal and interest, by Distillers Corp.-Seagrams Ltd., parent organization. The Indiana corporation which is wholly owned, controls through stock ownership all the affiliated Seagrams operating and sales companies in the United Press states.

Net proceeds from the sale of these securities will be used to retire $15,000,000 of bank loans, and the remainder will be added to working capital. The total credit available to Seagram & Sons and subsidiaries under the revolving bank credit agreement to be terminated originally was $75,000,000.

The company anticipates that it will need additional working capital after the war to finance increased receivables and the production of inventories for aging purposes. Its inventories are now below normal requirements due to the use of facilities for the manufacture of war alcohol.

Bretton Woods Revision Likely

(Continued from first page)

Wolcott of Michigan, ranking Republican member of the House Banking and Currency Committee and one of this country's delegates to BW, has been feeling out Treasury and ABA circles to see whether there is not a least common denominator on which the American proponents and critics of the BW Fund can agree. To your correspondent Mr. Wolcott this week stated: "It appears that there is an opportunity to create the common ground on which to effectively build a plan satifactory to almost everyone, which will effectuate the purpose of the BW agreements both as to the Fund and the Bank, and at the same time protect American economic interests. Certain amendments have been suggested which should be adopted."

Just which amendments to the program he favors, Mr. Wolcott does not state. The main amendments to the BW agreements which have been talked about are those the ABA suggested in its report of last February, calling for the merging of the Fund and Bank into a single $9.1 billion Bank; and the proposal of the CED that the Bank be "strengthend" by authorizing it specifically to make stabilization loans, without however, reducing the proposed Fund's resources or powers. The CED proposal, in the light of the examination which it since has undergone, is elusive and intangible and seems to have been more an effort to get the BW program adopted under the pretense of amendment, than an honest attempt to amend it. The CED in its report, recognized however, that the chief criticisms of the BW program centered on the certainty that the Fund will become frozen sooner or later, if no change is made in the BW program. What the amendments to HR 2211 now under discussion seek to do is to effectuate modification of the operations of the Fund, not through a formal consultation between the 44 governments and alteration of the language of the Fund agreement, but entirely through American domestic legislation which it is hoped—nothing more—that other members will emulate.

More Clearly Limiting the Fund's Activities

In the minds of those seeking such changes in HR2211, the first thought is that the Fund should be used only to sabilize currencies by short-term operations, and not by long-term stabilization loans. According to Mr. Wolcott, those who make this proposal want the Fund to confine itself "primarily, if not exclusively, to short-term transactions to maintain currencies as far as possible at parity." This limitation of course presupposes also a clarification of the functions of the Bank, so that there will be no misunderstanding regarding the Bank's authority to make both long-term and short-term stabilization loans. "When this is done, we should likewise remove any doubt about the scope of the Fund's activities," Mr. Wolcott observed.

In its literature on the BW program the Treasury has stated that the Fund will be used to correct temporary currency disequilibria, which Mr. Wolcott points out is the antithesis of long-term lending. The Congressman goes on to list three alternative ways in which this country's intentions might be clarified, namely:

1. The articles of agreement of the Fund and Bank might be amended.

2. Congress might authorize the President to sign the Bretton Woods agreements with reservations.

3. Congress might set up certain standards, in accordance with which our representatives on the Fund and Bank would have to function and contrary to which they would be prohibited from acting. Then, in case of any disagreement among the members as to the scope and function of the Fund and Bank, our representatives would be directed by Congress to propose amendments to the agreements.

Only One Method Would Not Arouse Treasury Opposition

The first of these three methods of limiting the powers of the Fund more clearly than was done at BW could not be obtained without another international conference; and, in view of the position the Administration has taken that there must be no additional international monetary conference, is not being given any serious thought.

The second alternative would open the way for other countries to offer reservations of their own, and would therefore not be acceptable to the Administration, as is quite apparent to anyone who has followed the hearings of the House Banking and Currency Committee.

It follows that such consideration as is being given to the matter must revolve around the third method listed above. This is a less direct method of achieving the desired result, but its proponents hope that eventually it will prove effective, if adopted by Congress. It is admitted that it lacks the precision and certainty of the first two alternatives.

Harmonizing Fund With Bank

In addition to narrowing the authority of the Fund in one of the above three ways, a second objective of the compromisers is to agree on a means of bringing into assured harmony the operation of the Fund and Bank through a close affiliation of their governing bodies and officers. Otherwise, it is feared, a degree of harmful competition may develop between the two, as was testified by the late Mr. Leon Fraser, former BIS president, a few weeks ago. Also, there might be a harmful lack of coordination between the BW institutions and lending agencies of the United States.

So far as the USA is concerned, better coordination between the Fund and the Bank can be achieved, some think, by providing that the American governor of the Bank and Fund be the same person, and the American director of the Fund and Bank likewise be one person. Or, the American alternate director of the Fund might simultaneously serve as director of the international Bank.

Two different methods of achieving this are being discussed. Under the first, there would be one American governor serving on both Fund and Bank, but separate American directors on Fund and Bank, as well as separate American alternate directors on both Fund and Bank. Thus, under this proposal there would be altogether five American appointees on the two BW institutions.

As against the foregoing a proposal has been made that there be one American governor serving both Fund and Bank, and one American director serving both Fund and Bank. Then there would be separate American directors on Fund and Bank, respectively. This would mean a total of only four persons, altogether, representing the United States on the two BW institutions.

Should either of these two methods of unifying American representation on the Fund and Bank be adopted by Congress and the example of Congress be followed by the other member governments, the effect would be that the Fund and the Bank would be subject to a single, overall board of governors—although the composition of the 12-man boards of directors of the Fund and Bank, respectively, might be somewhat different, because in the case of the Fund the BW plan provides that there shall always be two representatives of Latin American countries among the directors.

A Supervisory Council

A third major subject being considered for incorporation in the pending bill HR2211 relates to the setting up of an American Council on International Financial Policy. Such a Council would give policy guidance to the American governors and directors on the Fund and Bank, and would also have under its observation and control the Export-Import Bank and any other American official agencies extending loans or credits abroad.

Export-Import Bank Expansion

Cong. Wolcott is expected soon to introduce a bill to increase by $1.5 billions the capital of the Export-Import Bank and to make that institution an independent agency. At present, the Export-Import Bank is in the FEA. It operates under a Delaware charter, which many regard as very loosely drawn. Its directors are appointed by the director of the FEA for a 1-year period, and if they do not carry out orders, they are apt to be removed summarily. Mr. Crawford would make the Export-Import Bank a "less political" institution.

Some ABA Objections Not Unheeded

It should be noted that each of the three major changes in the bill HR 2211 now being considered in part, at least, meets an objection or suggestion of the ABA. The objection that the Fund would become frozen if given all the lending authority permitted under the BW plan would be partially answered by limiting the Fund's activities to clearly short-term transactions. The ABA proposal that a single institution would suffice and would obviate any rivalry between Fund and Bank would be partially satisfied if Fund and Bank were governed by the same persons. The ABA suggestion that the American representatives on the Fund and Bank be made responsible to some inter-departmental body—a suggestion which the Federal Reserve Board has endorsed—would be fully recognized by the adoption by Congress of the third of the amendments to HR2211 now being considered.

Should Congress add to the Bretton Woods legislation no restrictions more serious than those described above, it is doubtful that the Treasury would interpose any objection. Under-Secretary of the Treasury Daniel W. Bell recently gave public indication of interest in the CED report. While the CED proposal was not specific—from the legislative standpoint—and was in general innocuous, the three changes discussed above are specific, and yet do not do violence to any of the principles on which the Treasury has been insisting. In accepting them, the Treasury would lose no face.

House hearings on BW are drawing toward an end and, if Chairman Spence has his way, the Committee will go into executive session on the matter next week. During the past few days the hearings have been featured by analyticals testimony of various economists, among them Prof. Edwin W. Kemmerer, who criticized the Fund and Bank and suggested to the Congress an 18-point program focused on the restoration of the international gold standard and balanced national budgets. Dr. Melchior Palyi of Chicago, a former adviser to the German Reichsbank during the time when Germany was setting up its exchange-control system, was the Committee's witness for two days. (Extracts from Dr. Palyi's oral testimony are given on page 2054 of this issue of the Chronicle.) Dr. Palyi recently visited the United Kingdom and told the Committee of current British opinions on the BW program.

When the committee takes up HR2211 in executive session, in addition to the amendments mentioned above it will be asked to consider others calling for Senate confirmation of our Fund and Bank representatives' alternates; for periodic reports to Congress by the to-be-proposed Council on International Financial Policy; and for eliminating the "harsh" provision of HR2211, which authorizes the President to collect information under penalties of the Trading-with-the Enemy Act.

During the hearings Mr. Wolcott more than once expressed the view that Congress ought to be given the Administration's entire program for extending financial and economic aid to other countries before Congress passes on BW, which is necessarily only part of the program. Mr. Wolcott objected in particular to the current use of Lend-Lease to make what amounts to 30-year reconstruction loans, an objection which V-E Day now makes all the more timely. There is nothing to indicate that the Michigan Congressman has received the information he requested, even though he endorses the idea of a greatly expanded Export-Import Bank as a supplement to the BW program.

Other Countries Won't Be Bound By HR 2211

The putting of the American representatives on the Fund and Bank under the supervision of an interdepartmental committee is urged on the grounds that it will give the American Government a means of setting up standards for the actions of those representatives, and thereby a strong influence on the conduct of the Fund and Bank themselves. It must be noted, however, that it is one thing for the American Government to put the world on notice as to its interpretation of the BW documents by writing that interpretation into HR2211; and it is quite another thing to assume that other countries will adopt and adhere to that interpretation.

Consider, for example, the case of Russia, whose delegates at BW, in the course of some two weeks' negotiations on the subject of quotas in the Fund, made it clear that Russia for one intends to use the USSR's $1,200,000,000 quota, and use it for capital goods purchases, which are outside the expressed purposes set forth in the Fund agreement.

Mr. Edward E. Brown and Congressman Wolcott, both have publicly so stated, since the BW conference. Certainly Russia, if its government should ratify the BW agreements, cannot be bound legally or morally to anything not specifically set forth in so many words in the official documents of the Conference. The American Congress cannot bind Russia. On the contrary, the moral commitment, as a result of the quota discussions mentioned above, is all on our part: Namely, the commitment to accede to Russia's using the Fund for capital purposes.

Hence there is in this writer's mind a serious question as to whether the effort to restrict the field of the Fund's operations by changing the language of HR2211, rather than by changing the language of the BW agreements themselves. Should be expected to accomplish its stated purpose. Certainly there are more forthright ways to produce a meeting of minds on the subject. Testifying for the Chamber of Commerce of the Unted States on May 9, Mr. John J. Rowe, forcefully rejected the assertion that the BW program has to be accepted without amendment. Saying: "If the agreements are on such a flimsy basis that we dare not reopen the discussions with other nations, I can see no hope for their success," Mr. Rowe recited the accord on changes which other countries desire made in the BW agreements.

Reliance on Indirection

By way of warning other countries that the United States, the chief creditor under the BW plan, will look to them to respect our desires concerning the operation of the Fund and Bank, consideration is being given to including in the amended HR2211 a provision to the effect that, at the end of a stated period of time, the interdepartmental committee supervising the American representatives on the Fund and Bank advise the President of the United States whether or not this country should continue its participation in the two institutions, or whether it should withdraw.

In view of the administration's obstinacy in rejecting out of hand any amendment to the Bretton Woods agreements and its apparent power to put the BW program through Congress "as is" the effort to bring about some modification of the program, by levislative indirection in the form of amendments to HR2211 may be the best that can be expected. If we follow that indirect course we can only hope that the other members of the BW Fund will voluntarily set aside some of the bargaining concessions they gained behind the scenes at Bretton Woods. If there is a basis for that hope, it would be reassuring to have some evidence of it from Moscow and elsewhere. Doubtless a commitment on our part to make large reconstruction and development loans outside the Fund and the Bank would help secure the needed consent. If so, the consent would be obtained through a process amounting to a series of bilateral conferences.

New York Stock Exchange Weekly Firm Changes

New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of John P. Satterfield to George G. Elsaesser will be considered by the Exchange on May 17. Mr. Elsaesser will act as an individual exchange member.

Transfer of the Exchange member of John Hone Auerbach to Robert Spitzer will be considered on May 17. Mr. Spitzer will act as an individual floor broker.

Transfer of the Exchange membership of William C. Ridgway, Jr. to Leon Fletcher, Jr. will be considered on May 17. Mr. Fletcher will continue as a partner of Gammack & Co.

Harry B. Jordan retired from limited partnership in Thomas Jordan & Co. on April 30.

Interest of the late Kenneth B. Schley, Arthur Myles and Charles R. Butler, in Moore & Schley, ceased as of April 30.

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both from the American and the international point of view, and I think everything should be done to promote that objective, including sacrifices on the part of the United States.

Now, the stabilization objective means two things, which are not differentiated properly in the text of the agreements or in the commentaries. There is a stabilization problem for a country which has, when restored to normal, when its currency is restored to normal, a balance of payments. Maybe it has even a service, and can count on an influx of gold, but certainly has no major defect in its international position, on its international accounts, and all it needs is an initial credit, something to start the stabilization. It can go on from there on, on its own.

I think, for example, France is likely to belong in this category. On the other hand, there are countries which suffer not just from a shortage of gold or a temporary disequilibrium, but have, if I may say so, a sick balance of payments. Something more fundamental is wrong. A long run problem of disequilibrium exists. That seems to me to be the case with Great Britain.

Now, these two problems of stabilization are entirely different, and they are not separated out in any way in the Bretton Woods agreements.

Nations Not of Same Pattern

We proceed, in these agreements, on a single pattern, as if all countries would be in the same position. But that is only the first step to understand the agreements and their shortcomings, which ought to be, in my opinion, corrected, to make the agreements workable in accordance with the primary purpose, namely the purpose of stabilization.

But, what is more important, perhaps, is that especially the Bank is loaded with functions which have nothing to do with stabilization, which represent an interference with the normal course of business. There is no reason, unless we are planning a planned international economy, and super-government interference with international trade and international investment, there is no reason why any international organization should be created to take over the functions of normal banking business.

To be more specific, there are a number of transactions which need no government support at all, or should not be supported.

Number one, I would exclude all the credit transactions which are based on internationally marketable commodities.

They do not need any government support or institutionalized support. If a country buys a commodity which is internationally marketable on proper credit terms, that credit transaction is and will be financed, short of war, under any conditions, by the bankers of that country or by bankers of another country.

There is no need for an international credit organization for that purpose, and that should be expressis verbis, specifically excluded from the functions of an international institution.

Another case is the case of credit demand in a country, a credit demand which has nothing to do with its international balance of payments. Now, suppose a country's balance of payments is perfectly sound, and in a normal condition. There is no question of buying the commodities it needs for the purposes, but it has no capital at home for the specific things it wants to establish.

For example, it wants to build a railroad, and the home capital is not available for railroad building. Or there is no capital. There are no channels built up for the collection and distribution of the savings of that country. Or the interest rate is high at home, and therefore it wants to get the money at a cheaper rate abroad.

It has nothing to do with the balance of payments of that country. It has nothing to do with lack of exchange stability. It is a purely internal purpose.

Now, according to the statutes of the Bank, any such purpose, without regard to the balance of payments of the country, could be financed by the Bank. In other words, the Bank can step in and build a railroad somewhere, or finance or guarantee the financing of a railroad somewhere, Egypt, or whatever country it should be —I do not like to mention countries specifically to avoid misunderstanding — without regard to the balance of payments of that country. Because that purpose is desirable for some reason.

That is an objective which had nothing to do, to repeat, with the stabilization objective of the Bretton Woods agreements. It puts in to that something entirely different and opens the door for international interference with the money markets and the production, and what-have-you, of individual countries, and gives the word "stabilization" a broad meaning which is not permissible under normal economic conditions.

For example, if a government in some country is unstable, then we might stabilize it by giving a credit for some purpose which creates employment in that country. Now, that is another meaning of stabilization very different from the one we have in mind when we mean—and I suppose we all agree on that meaning—stabilization of foreign exchange or currencies or balances of payments.

Essential Point

Now, to come back to the essential point, there are two kinds of credit demands, and only two kinds, which should be the object of international action. The credit demand arising from temporary shortages of international media of payment, such as a country not having any gold to start on stabilization, but otherwise able to restore its balance of payments very quickly.

There are longer term disequilibria which have to do with the lack of balance in the balance of payments, such as a continuous drain on that country due to the necessity to import on a large scale, and inability to export in similar scale, because the invisible items of trade disappeared due to war or because the foreign investments of that country have been to such an extent reduced that the income of foreign investment is not available any more to balance the imports and so forth.

Those are the two kinds of problems for the solution of which an international institution is needed and could do a good job in handling them, if it proceeds properly in doing so.

What Is Stabilization?

Now then, the problem is, for example, to be properly understood, to create the conditions. What is stabilization, if I might put it that way? Well, all agree, I suppose, that stabilization does not mean that some institution steps in and permanently supports the balance of payments of any individual country. Reasonable, sensible stabilization can only mean that we do something to correct the balance of payment of the distressed country, and create the conditions under which the balance of payments will become sound again, and will function without the necessity of further aid.

Now, that presupposes one essential thing, namely, that the stabilization procedure is such as to permit the free flow of capital to the distressed countries. That is indeed the purpose of stabilization, to create confidence in that country, by restoring its currency, by reassuring the prospective investor of the stability of that currency, by eliminating exchange restrictions of that country which would keep foreign capital out of that country; to re-open the channel of international capital flow, is, it seems to me, the first and most essential purpose of stabilization, because if a balance of payments is not cured by an initial credit, the way to cure it, in the longer run, is by giving a chance to international capital to flow into that country and to provide the necessary amounts of purchasing power, international purchasing power, so that the international accounts of that country can be brought into balance.

Now then, the question is: Do the Bretton Woods agreements accomplish this purpose? I am afraid they do not, and the trouble there is, that the Bretton Woods agreements are apparently a compromise between the point of view of definite stabilization, an American point of view, and somebody else's point of view who was not willing to embark on a definite final stabilization.

At least in three different places, the Bretton Woods agreement, the Fund agreement, the agreement concerning the Fund, permits the maintenance or reintroduction of foreign exchange regulation.

There is, for example, one place, and I quote those places in my written testimony, in which it is said that for a transitory period, every country can maintain its wartime foreign exchange regulations. Now, what is a transitory period? It is not defined. Who is going to define what a transitory period is? It is not safe. Practically it means that as long as they please, or think it is necessary—and I do not impute sinister motives to anybody, but the opinions may be different—the member countries may maintain their present foreign exchange regulations. That means for that period they are out of the world markets for credit. Nobody is willing or able to give credit to a country that has strict foreign exchange regulations.

Take the case of Great Britain today. If you buy British securities today, you may get the assurance that they will pay out the dividends and interest in dollars. But they will also assure you that they will not pay the capital back.

Now, there are very few investors in the world who are willing to invest their money, even if they intend to be permanent investors, without regard to the possibility of liquidating their investments. An investor is a man who wants to make an earning out of his capital, but he also wants to have the chance to get his money back for whatever reasons, and many investors definitely do not intend to leave their money working permanently in any kind of investment disregarding specific and limited amount of investment, such as an oil company developing some plants or facilities for dealing in oil in a country with foreign exchange regulations, nobody is likely to put money, either as direct investment, or as indirect one, such as by buying or purchasing securities of that country, bonds or stocks, unless he has the reasonable assurance that he gets his money back.

Reasonable assurance. Even then there is a lot of risk involved in international investment. More so, as a rule, with certain exceptions, than in investments at home. The additional reason that you would not get your money back, if you want it, is, in most cases, unbearable or that creates the necessity of an extraordinarily high interest charge so as to offer a risk premium which is in turn unbearable for the debtor.

Now, for the transitional period, every member country is permitted to maintain its foreign exchange regulations, which I think vitiates the purpose of stabilization. But it is not only for the transitional period.

Then comes a second paragraph somewhere, which I quote in my memo, which says that every member country is entitled — it says in effect that every country can maintain its embargo or restriction on its capital movement. It has only to open up the channels of payments, international payments on current accounts, but not on capital accounts.

No Definition of Current and Capital Account

There is nowhere a definition of what a capital account is as against a current account. Presumably, if a member under foreign exchange regulation buys goods from another country, then those goods bought have to be paid. That is current account. But if it owes money to that other country or borrows money from that other country, then it hasn't got to pay for it. It can declare exchange restrictions on those, and that is perfectly permissible beyond the transitional period. It is permanently permissible.

Now, with your permission, Mr. Chairman, I would like to point out that this is a very loose point, and a very dangerous one, which is bound to vitiate the whole purpose of stabilization, for this reason: The difference between the current and capital transactions is not to be drawn exactly anywhere. As a matter of fact, the two are very closely inter-related.

Now, I have been participating myself in the introduction of exchange restrictions in Germany, as adviser to the Reichsbank in 1931, when those restrictions were imposed upon the country.

Now, what happened was, first, Germany declared that there is no capital to be exported, which belongs to foreigners. Foreigners' money was frozen. But if the foreigners' money was frozen, the next thing was the Germans' money had to be frozen too because the Germans started to run out of the country too. Nobody wants to stay with his capital in a frozen country. So you had to freeze the Germans' capital.

But if you freeze the capital, such as export of money by mail or bank transactions, then people put their money in their pockets and take it with them over the border. So you had to look into the pockets of your toruists, foreign or home tourist, you had to check on them to see that they did not take with them German money or foreign money held in Germany to be sold on the foreign market.

The next thing was, you had to restrict the whole tourist traffic because you did not have enough policemen to check on every tourist. So the rule was that everybody going out of Germany could only take two hundred marks with him.

Then they checked on how long he stayed outside and asked him how he managed to stay so long on two hundred marks. Then they reduced it to fifty marks, then twenty marks, then stopped the entire tourist traffic. Tourist traffic in terms of balance of payment, belongs to the current accounts. It belongs to the capital account. It is not a capital movement, it is just like commodities moving from the point of the balance of payment.

The point is that the distinction between capital movement, which can be frozen, according to the Fund, and current transactions, which cannot be frozen, is a purely artificial distinction, which cannot be carried out in practice. If you freeze the capital transactions, you freeze, at least sooner or later, a major part of current transactions, and that is exemplified in the case of tourist traffic. You must interfere with tourist traffic.

Now, tourist traffic in Europe is a very important item of the balance of payments. For France, it is one of the most important sources of revenue; national revenue.

If the British can freeze their tourist traffic, under the heading of capital transactions, then the French situation will be that the revenues they withdraw from England will largely disappear, and then the French will retaliate on the commercial line, by stopping imports from Britain, raising tariffs, imposing quotas on British goods, and you cannot blame them for it.

So then the balance of payments situtation will be just as bad as it used to be in the 1930's, even though the members of the country have no permission to indulge in so-called multiple currency practices, even though nominally exchange restrictions are eliminated, but only permitted for capital transactions. In reality, that hole in the system leads to an interference with the entire system; leads to interference with stabilization in general.

Another point in that connection which I would like to make, is that commodity movements have also something to do with capital movements. New countries, when they buy locomotives, buy them, usually, on credit, and many other examples could be cited.

Now, if you have a system of freezing capital movement, you eliminate a number of commodity transactions automatically or make some very much more difficult. You interfere with trade, indirectly also, by freezing capital movements.

To repeat, the point I am driving at is that the purpose, the objective, of the Fund, which I believe in absolutely—I believe in the main objective of the Fund and in the necessity to do something along such lines as the Fund advocates—that that objective is obliterated, made impossible by the permission of foreign exchange restrictions, to use a technical term, for the member countries, for a transitional period, as I said, and for the permanent capital account.

That is not all. There are several other paragraphs permitting the introduction for this reason or that reason, of foreign exchange restrictions, even after the transitional period is over, and even beyond the freezing of capital movement.

The most important among those paragraphs—and I will not go into details, assuming that you ladies and gentlement are fully familiar with the paragraphs in question of the Bretton Woods agreements — the most important of them is the permission, explicit permission, to introduce foreign exchange regulations at once, if and when a currency is declared scarce.

Now, please try to visualize the situation that arises. Try to visualize somebody who wants to invest his money in Great Britain or France, and who reads these paragraphs carefully, or has somebody read it for him, an economist or banker, and explain it to him, and he has to picture that for sometime hence, two or four years hence, any time, the Fund might declare a scarcity of dollars, and by that time the governments of the countries in which he invested that money, simply declare, "We will not pay any more from here on. You are frozen. Your money is good, but you cannot receive it until we do something about it or somebody does something about it."

Now, how can you afford, as a capitalist, especially as you are a manager, as most capitalists are nowadays, of other people's money, as an insurance company, for example, buying bonds, or as an investment trust, or what-have-you, how can you possibly take the risk that such a thing would occur?

Stabilization Must Be Permanent

What I am driving at is that a stabilization is no good, and the objective is not fulfilled, unless you make it in a permanent and final fashion. You cannot experiment in stabilization like you experiment with a patient, and say, "Now, let's see what happens if we give him this medicine." And then, "Let's try another medicine," because the very thing that should bring about the healing of the sick balances of payments will not occur. The capital flow will not come about.

It tends to repeat the act of stabilizationists to put in initial capital, into a not going concern, and that initial capital under conditions which permits them the normal flow, the free flow of private capital into those countries.

If you create a set-up, by which that very force, which would bring about stabilization, is excluded, then one of two things will happen.

Either the thing will break down, and it just stops there, and then we declare that we did what we could do, and it is too bad, and then there will be a lot of discussion, and people will get up and say, "Didn't I tell you in advance?" The greatest likelihood is that it will ruin the chances of real constructive action on the part of the United States to stabilize currency which is absolutely necessary if we want to come back to a normalized world.

Or else, we have to go on in the same way. Put more money into it; restart the whole thing over and over again.

I do not think that either outcome is desirable, and there is only the third alternative that instead of a temporary stabilization, which this plan provides, we start on a definite, final stabilization, which excludes the possibility of any member, who takes advantage of the institution's funds, to unstabilize again, especially to introduce foreign exchange regulations.

Maybe you will think, Mr. Chairman, that I am a crank who insists on the importance of foreign exchange restrictions unduly. Well, maybe so. But I have had some experience with them and I am a specialized student of these monetary tricks, and monetary methods, and the only thing I can say about them, summing them up, is that they kill every possibility of genuine balancing of international accounts.

They have to be eliminated. Changes in the gold content of moneys are by far not so bad as changes and manipulations by restrictive methods of foreign exchange regulations. They are, theoretically, just as bad, but practically, the Fund provides that such changes should not be undertaken too easily or too often.

The permission of the Fund is needed. Notice, in the provisions of the Fund, there is no permission needed to introduce foreign exchange regulations of the kinds which I have mentioned, such as for the transitional period, such as for capital movements, such as in case of scarcity of a currency.

But there is permission needed for changing the gold content of a currency; that gives a limitation which is not given on the foreign exchange restrictions.

Foreign Exchange Manipulations

If the foreign exchange restrictions would be clearly understood, or not open to any kind of manipulation, as a matter of fact, the contrary is true. Foreign exchange manipulations can take a thousand forms by changing the gold content of the money itself. It is a comparatively simple thing. It does not need specific definition. We all know what it means.

But, what does foreign exchange regulation mean? It means a great many different things and the respective government can take its choice, and there is no definition, no attempt to define, no attempt to discriminate between tolerable and intolerable methods. I am speaking now of the statutes.

Moreover, it is not expected that at least major countries would reduce the gold content of their currencies very much. Nobody expects that Great Britain would embark on a German kind of depreciation of its currency. Currency goes to pieces. All over the world, people expect that the British are reasonable and they do not depreciate their currency in spite of their talk about managed money. They like their money to be managed so that it is stable. They only keep their hands open so that in case they should be under necessity, and under too much strain, then they can do some depreciating.

Nobody expects them to do that unreasonably or in a violent fashion or without real major reason. But that does not apply to foreign exchange regulations. There is so much possibility of bureaucratic action there, so many devious methods, and they are specifically permitted in the statutes.

There is no mark put on them indicating that they are bad, as there is put in the statutes on the depreciation of currencies. It is only said that practices of multiple currencies should not be permissible, but what is multiple currency? That is only an outcome of foreign exchange regulations, a very specific outcome. You can indulge in the most vicious foreign exchange restrictions, and without being blamed at all, without having introduced, nominally, any sort of multiple currencies.

Countries Under Exchange Control Not Credit-Worthy

A discussion of international credit problems has to start with the unpleasant statement that countries under effective foreign exchange regulation are not credit-worthy.

Short-term credits of a self-liquidating nature and properly collateralized by internationally marketable commodities will be available, of course. Such credits are actually outside the exchange regulations, especially if the commodities are in transit or in foreign countries. But they are not what the post-war world will need for reconstruction.

The same holds for credits of the type Soviet Russia received from Germany and the U. S. in the inter-war period. They were usually of two years' maturity, up to four years, extended to the Soviet Government itself to finance the purchase of capital goods. Their total volume was very limited—a drop in the bucket of reconstruction needs. And they would not do because of comparatively short maturity.

Another exception to the rule is direct investments by corporations undertaken for the benefit of commercial profits. Risk-capital of this kind, such as for facilities needed by oil companies, may be available to some extent even for a country surrounded by exchange restrictions, but for obvious reasons it cannot amount to much. Nor can special arrangements of the Dawes loan type.

True investment capital, the kind desirable for reconstruction, and such as Germany received after the last war, and in vast volume at that, could not possibly flow through regular commerical channels to countries which promise to pay the interest, but threaten to freeze the capital.

Who will buy British or French securities if he has no prospect to liquidate them in a lifetime? How could a market be developed in such securities—unless under a special regime of international control to which no self-respecting country is likely to submit—if the debtor is not able or willing to permit the transfer to the creditor, or retains the right to stop transfers at any time? Even the investor who intends to "sink" his capital in a permanent fashion wishes to have the possibility of at least partial liquidation if an emergency arises. Effective exchange regulations which freeze the foreign investor are simply not compatible with the free flow of capital.

Prospects of Post-War Capital Flow

This much has to be said as introduction to discussing the prospects of post-war capital flow, because virtually every one of the Allied governments which have actively participated in the war is planning to continue the control of caital movements for an indefinite eriod. Every one of them lays hands on its citizens' foreign assets, and prohibits the export of the capital of its own nationals as well as the repatriation of capital invested in its country by foreigners. It is essential to realize that what we used to call the system of international finance, the flow of capital from countries with low interest rates to those with capital shortage, that system which has been so essential in developing a capitalistic world and reconstructing areas devastated by war or earthquake—that system belongs in the past, unless the freedom of capital movement is restored again. But there is not the slightest prospect at present that it will be restored. And there are additional inhibitions to be faced.

Private (non-political) creditors expect attractive interest or profit rates. But England is sold on cheap money, and it will be very difficult to move her off that track because one-sixth or so of the vast national debt (approximately $100,000,000,000 at present exchange rates), will accumulate in the commercial banks which could not survive the depreciation of their portfolios, to say nothing about the damage to insurance companies and other institutions. Nor could new bonds easily be sold with rising interest rates, and they will have to be sold since the deficit will continue for some time. France, too, has lately accepted the cheap money philosophy—its chief opponent just quit De Gaulle's cabinet — and most western European Allies are likely to follow the British pattern that will militate against attracting U. S. money into their fixed interest-bearing securities.

So will high taxes against the

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sale of stocks issued by corporations domiciled in Britain, unless the deduction of income tax at the source will be "relieved." In England—less so on the Continent—trade union policies tending to freeze wages and employment at war-time levels, will be another factor discouraging foreign risk-capital.

Widespread agreement prevails in Britain that after the war their country will retain both: Artificially low money rates and a very large measure of control over its foreign exchange market, especially over capital movements. But few seem conscious of the fact, or willing to admit, that the consequence will be to deprive Britain of the normal flow of foreign capital without which reconstruction will be greatly impeded and delayed—unless a substitute can be found.

Britain's Position

However, consciously or otherwise, Britain's outlook on her own place in the post-war world economy is decisively influenced by the prospect that foreign funds will not be available in a measure comparable to her vast needs for recapitalization, not at any rate through commercial channels. The reaction takes different forms, expressed in the passionate discussion of the Bretton Woods program.

Many businessmen and financial experts, supported by a minority of economists, long to return to the gold standard. They are sick and tired of managed money and of all of the all-pervasive governmental interferences. They frown upon the artificialities of Bretton Woods, which they consider as typical of current trends in academic economics. (A leading London banker coined the bon mot: Modern economics is "a cacaphony of pleonastic tautologies.") This school of thought has not yet come into the open with a concrete program for the handling of a prospective $1½ to $2 billion annual deficit in Britain's balance of payments. What would be the effect of a return to normalcy in a country that would soon lose its gold reserve, exposing itself to a severe price deflation or to a runaway depreciation of its currency? Presumably, a transitory period of control is unavoidable, but the idea is that gradual relaxation and ultimate restoration of free exchanges should be the objective.

The opposite extreme is represented mainly by academic economists of the Keynesian school who carry their master's philosophy to its logical conclusions. The younger generation of Oxford and Cambridge students, in particular, which has grown up during the great depression, and cannot visualize capitalism except in its depressed and somewhat defeatist British inter-war variant, is sold on overall management and financial self-sufficiency for Britain. The most vocal among them western as well as southern Europe are refugees from the Continent who have absorbed the planning ideologies prevalent in Russia and Germany. They are violently opposed to classical economics, taking their cue from Keynes' last book. (I heard some of them state that economics began in 1936, when that book appeared.) Presently, they attack Keynes for having become "untrue" to his own basic premises. Their chief argument is that the U. S., being a laissez-faire country (under the New Deal, mind you), is heading for a big depression against which Britain can insulate herself only by a self-sufficient sterling bloc, to include the colonies and rope. They do not worry about a precise definition of the area to be covered, or its willingness to join, impressed as they are by the "success" of totalitarian experiments in full employment under foreign exchange blockades. Although a small group, the intellectual influence of these younger economists is not to be underestimated. In Parliament, their line is represented by the radicals within the labor party rank. They are violently opposed to international agreements which allegedly limit Britain's freedom of action —her freedom to regulate and manipulate the exchanges.

In a milder fashion, the same opposition to Bretton Woods is fairly widespread among conservatives too, with the difference that the autarchy ideal of the latter has an imperialistic tinge. They dream of an imperial economic unity, overlooking that such vital parts as Canada and South Africa are bound to be gold standard-minded or more American than British orientated.

Their nationalistic sentiment is opposed to anything that smacks of American leadership or "preponderance" which is read by many Englishmen into the Bretton Woods project's emphasis on gold, and gold is not popular with a nation that must get along without it.

In spite of criticism from right and left, official Britain and her following adhere to Bretton Woods in toto. They do so under the spiritual leadership of Lord Keynes, but in a more or less apologetic fashion, and without clearly stating the fundamental idea: That the only way to provide Britain with American capital and at the same time to maintain a fair amount of freedom in her monetary and economic policy —that is, the freedom to regulate capital movements, keep interest rates low, wages high and the budget unbalanced—is by accepting what Washington calls International Monetary Cooperation. That involves, they claim, "sacrifice" on the part of Britain by foregoing the full freedom to manipulate exchange rates, but the price should be more than worth-while. Even among officials in London one meets occasionally a slight cynicism to the effect, "let the Americans have their gadgets, provided the world gets what it needs." But on the whole, the British supporters of the project seem convinced that it is the one road to reopen the portals of international prosperity available at present.

It is in the light of the foregoing that we have to look at the Bretton Woods agreements. The argument against it that it would be preferable to open up the free channels of credit rather than to base international finance on an artificial apparatus, misses the point—that the normal mechanism of credit flow does not operate under exchange control, which can be abandoned by the debtors under present circumstances only at the risk of a financial earthquake. But this is exactly what the British want to avoid by all means: The "earthquake," for which their public opinion is certainly not prepared. In other words, the alternative is, for the time being, not between free flow of capital or an international agreement, but between the latter or monetary warfare methods on the German and Russian pattern.

The Crucial Question

The crucial question then is: Does the Bretton Woods program fulfill its main objective, namely, to provide the framework which will permit the free flow of capital during the transitory period of two to four years as well as over the longer run? Will it supply merely a political and temporary substitute for genuine capital movements or will it help to create the conditions under which the latter can start and develop?

It is apparent that the primary purpose of the International Bank as well as of the Fund is to provide substitutes for credits which would not be available otherwise. However, they will have available between them little more than $6 billion in U. S. money, an amount that would he barely sufficient to cover the deficit on internation accounts of Britain alone for more than a few years. As a matter of fact, our Administration intends to commit this country, if it has not committed it already, to substantially larger additional amounts of post-war lend-lease for England, France, Russia and others. As a substitute for normal credit facilities, the Bretton Woods project is deficient in size, if not superfluous altogether. What is the use of putting up complicated institutions for a need which has to be satisfied mainly by lend-lease or similar interstate operations? The function of the International Bank, in particular, to guarantee long-term loans for individual reconstruction ventures could be just as well provided on each occasion by arrangements between the creditor and the debtor countries, with no need for a clumsy bureaucratic apparatus—for a permanent machinery to produce intermittent "Dawes loans," every one of which the Bank's statutes submit anyway to a complex procedure.

But the statutes of the Bretton Woods Bank have little or no reference to monetary policy, unless by indirection, while those of the Fund abound with such references. They are most emphatic in laying it before the members' doorsteps that it is their obligation to maintain the stability of their currency, to eliminate old exchange restrictions and to avoid the introduction of new ones. The repeated warnings in this direction, accompanied by open or implied threats of sanctions — ineffective as they may be—leave no doubt about the underlying good intentions: to bring about a semirigid stability, an approximation to the pre-1914 international gold standard. Morally, the members' obligation to refrain from the arbitrary use of monetary warfare methods is beyond doubt. But in effect, the loopholes in the statutes are so large as to annul the moral obligation.

In practice, the construction of the Fund permits the unlimited operation of monetary policies which interfere with the freedom of capital movements. For an undefined transitional period, to begin with, "members may . . . maintain and . . . introduce where necessary restrictions on payments and transfers for current international transactions" (Art. XIV, Section 2). For the initial period, exchange stability is eliminated at once. And even beyond that period, "Members may exercise such controls as are necessary to regulate international capital movements" (Art. VI, Section 3). Accordingly, members have to repurchase their own currency or balances held abroad only if "they have been recently acquired as a result of current transactions; or their conversion is needed for making payments on current transactions" (Art. VIII, Section 4a). In other words, the obligation to pay for one's debts does not apply either to what is termed capital transactions, or (Ibid., Section 4b) to debts which have accumulated previous to the removal of exchange restrictions, nor (Article XIV, Section 1) to an "international indebtedness arising out of the war." Moreover, all restraints on exchange regulations will be wiped out at once and automatically, if the critical currency to pay with has been declared "scarce" (Art. VII, Sections 1 and 3b), i. e., after the debtor members have exhausted their quotas, and cannot borrow from the Fund any longer. This amounts to sanctioning in advance the debtors' default without any pressure exerted on them to put their houses in order and to refrain from manipulations deadly to a self-regulating system of international finance.

Will Produce Reverse of Its Objectives

Briefly, all that the Bretton Woods agreement supplies is an initial sum by the creditor and a conditional promise by the debtor, with no provision for the effective use of the one or the enforcement of the other. As a matter of fact, it is built in assumptions which are bound to produce the reverse of the objectives its authors seem to expect.

First: The strict distinction throughout the Fund's statutes between current international obligations which should be paid and capital movements which might be frozen, is fallacious. The dividing line between the two is not sharply definable and the distinction opens up the possibility of misuse. What is more important, current transactions and capital transactions are often intimately interwoven; the one cannot function freely while the other is frozen. It is entirely fallacious to assume that international trade could develop to its potentialities without being supported by international investments, or that the latter could jump over the barbed wires of the exchange regulations which the statutes concede to every member.

Second: It is apparently assumed that the natural tendency of members is to live up to the moral obligation they underwrite by doing their utmost, without compulsion or pressure, to safeguard their own exchange stability. Article IV, Section 5(f) brings home this implied assumption by stating explicitly that the Fund shall not object to a proposed change in the par value of a currency "because of the domestic, social, or political policies of the member proposing the change." In plain English, the Fund has no right to criticize or interfere with the internal policies of a country, even though such policies are likely to be responsible for its exchange instability.

Third: It is assumed, implicitly, that after the dollar reserves of the Fund will be exhausted, only temporary disturbances will arise —that either American political credits (lend-lease) will be made available or else the U. S. will import so much from the debtors, without raising its own exports, as to correct the disequilibrium. The original Keynes (clearing) plan stated this assumption with all clarity, and semi-official American comments indicate it, too. In other words, the idea is that if the plan should fail to reopen the channels of private capital flow (as it is bound to), it will be supported indefinitely at the expense of the American taxpayer and producer.

Lastly, the authors of the agreements apparently labor under a dangerous illusion. They seem to imagine that the machinery of international finance can be set into gear in an experimental fashion, without assurance of permanence in the monetary set-up. Long-term investments, and in distant countries at that, are hazardous enough even under conditions of full monetary stability. Without such security, no reasonable interest rate is high enough to compensate the entrepreneur or capitalist for the risk involved. A plan operating on the assumption that long-term ventures can be based on a makeshift which may or may not have to be abandoned (according to its own statutes), is condemned to failure from the outset.

To sum up: Bretton Woods starts out on a desirable principle, namely, to restore the essential of the gold standard — international exchange stability—and to do so by reopening the flow of capital from creditor to debtor countries. Unfortunately, it does so in a half-hearted fashion compromising the objective of free capital movements by conceding the freedom of exchange restrictions. The arguments with the aid of which the Administration attempts to force the issue with Congress, misrepresent the case altogether.

It is being argued that the world is waiting anxiously for the Bretton Woods program to be enacted, and would be deeply disappointed even by a partial change in its text. The truth is that the vocal majority in England, e. g., is opposed to it and hopes for its rejection by Congress, knowing that once we accept the plan it would be a diplomatic impossibility for Britain not to join. Russia was reluctant to participate at all and left no doubt that she would prefer the oldfashioned gold standard. In France, public opinion has not yet crystalized itself one way or the other, but there certainly is no enthusiasm for the project, the workability of which is doubted by the European experts, unless it will be supported by vast lend-lease and similar operations.

It is a gross error, too, that the Bretton Woods project is in any way interrelated with the Dumbarton Oaks program. True, the latter is understood in many countries as implying American financial help to the "peace-loving" peoples. But there is no sign, and there scarcely could be any, that the rejection or modification of Bretton Woods by Congress would be interpreted as unwillingness on our part to participate in post-war reconstruction and international cooperation.

That brings up the most significant misrepresentation in which official American propaganda for Bretton Woods has indulged. It is the argument that there is no other alternative to "chaos" but Bretton Woods. In reality, financial cooperation can take many forms widely different from the one proposed. For one thing, it does not have to be institutionalized and bureaucratized. It could proceed from one instance to another as they come up, or in the order of their urgency, with or without advance decision about the total amounts of American capital to be allotted, and certainly without fixing in advance the forms and conditions under which they should be mobilized.

It is difficult to believe that the Administration spokesmen should not be aware of this fact. The reason why they insist on Bretton Woods may be political rather than economic. They may fear that the opportunity to "railroad" through Congress any such international arrangement might slip out of their hands. On the side of the British Government, there could be a similar motive at play: that nothing short of some such international commitment with morally binding effects can keep the threatening wave of economic nationalism from carrying England in the direction of unsound autarchy policies.

Be that as it may, the course international cooperation should take has been indicated—unwittingly—by no less an authority than Winston Churchill himself. On Feb. 27, 1945, reporting to Parliament on the Crimean Conference, he told about his visit, together with Mr. Eden, to Athens. "My right honorable Friend the Foreign Secretary," he said, "remained a day longer in Athens than I did, and he was at pains to bring home to the Greek authorities the fact that, now that political stability has been achieved, financial and economic problems must take first place, and that the burden and responsibility are upon the Greek nation and that they must, on no account, sit back and leave these tasks to foreigners."

The implication that the smaller Ally should put his own house in order was obvious to the Prime Minister's listeners who were aware of the sacrifices Britain had incurred to help Greece, and who applauded his forthright acceptance of sound financial principles. But what is sauce for the goose would be sauce for the gander. What is, as it always has been, sound policy for Britain when she is a creditor, should indicate the direction for a sound program of international cooperation under American leadership.

Distinguished Banking Institution Acquitted

(Continued from page 2055)

unblemished a reputation should have been subjected to the rigors of a smear campaign, and to the anguish and cost of trial on a charge of which it was innocent.

We deprecate the practice in this country of administrative bodies and prosecutors issuing colored releases respecting those charged with wrong-doing.

Frequently, these releases are so worded that they accomplish what is intended by the issuing bodies, to wit: influencing public opinion in favor of a prosecution and against the defendant.

Sometimes sensational in their terms, these releases are widely spread through the circulated press of the country. They create irreparable damage against which those who are found innocent have no redress.

Whilst under indictments, defendants charged with wrongdoing, are thus subjected to an avalanche of adverse and devastating publicity.

Not infrequently, when these same defendants are found innocent, and thus exonerated, the account of such disposition is stuck away in a corner of the newspaper.

The good name of a financial institution is one of its most treasured possessions. The good will of the public is the most valuable asset that it has.

To have smarted under the ordeal of unwarranted suspicion for a period of almost 16 months must have been a trying burden.

The "Chronicle," therefore, wishes to express its pleasure at the outcome, of which it did not have the slightest doubt right along.

Some action should be taken to curtail prosecuting activities in so far as they deal with press releases. Whether such releases are issued by the Federal or the State prosecutor, or by administrative bodies, we believe that they should be limited to a statement merely that a prosecution is pending and the nature of the charge. All extraneous matters, such as comments upon the gravity of the alleged crime, and upon alleged circumstances which might create a belief in the guilt of the individual or the company involved, should be sedulously avoided.

This remedy could be realized by an appropriate Act of the Congress. We are all in favor of such a law and are prepared to go all out for it.

In his summation, the attorney for the bank said, that it sought a verdict of acquittal as a matter of fairness, right and of justice.

In our opinion the verdict that was rendered met all those requirements.

McKim Truman Adviser

The appointment of Edward D. McKim, Omaha, Neb., insurance executive, as chief administrative assistant to President Truman, has been announced, according to Associated Press advices from Washington, April 30, which stated that McKim was sworn in by Justice William O. Douglas of the United States Supreme Court this afternoon along with two other Truman appointees whose selection previously was announced.

They were:

John W. Snyder of St. Louis as Federal Loan Administrator.

Edwin A. Pauley of California as American member of the International Reparations Commission.

The White House said McKim will occupy the post of senior administrative assistant, a new post.

McKim was a member of Battery D of the 129th Field Artillery, 35th Division, in the last war, serving under President Truman, who was a captain in that outfit.

Nazi Slave Policy Told

Representative Claire Boothe Luce (Rep., Conn.), who just returned from a two-month tour of the European theatre, told the House that the Nazis had been deliberately starving and torturing slave labor to death in order to protect the secrecy of weapons on which they worked, an Associated Press report from Washington, May 3, states. In that way, according to Mrs. Luce, details on the "V-1" and "V-2" robots were kept from the Allies until almost too late.

Conflicting Social Concepts Prevalent at San Francisco

(Continued from first page)

War I. But, as Ambassador Pauley pointed out, payments in kind will be particularly hard to transfer to the United States. Payments by Germany to Russia, France, and even to England can be partially made by the ready transfer of physical assets and property, including war plants. . . . Russia is expected to use German labor for the specific repairing of war damage. . . . The United States is not interested in using German labor, and has no war damage. . . . Also, payment in goods revives our chronic international trade dilemma arising from our not needing material imports. . . .

Mr. Pauley revealed that the Crimea Conference left the details of reparations entirely open, despite some contrary inferences drawn by the press from President Roosevelt on his return. . . .

* * *

War criminals will be dealt with by the Reparations Commissions only insofar as labor is concerned—that is, the Commission will determine the amount of labor to compensate for war guilt, but will not deal with the separate categories of political and other war criminals as such. . . . **The hot question will be the disposition of the millions of prisoners in Allied hands. . . .**

* * *

The Commission will, according to the Yalta Agreement, hold its first meeting in Moscow, with probable quick adjournment to Germany for purposes of more efficient physical appraisals and determination of the payment capability. . . . The Commission will be composed of only the United States, Great Britain, and Russia, despite the desire of France to be included. . . . The deliberations will at first be confined to Germany, and at some later date will take up Italy's status. . . .

* * *

Ambassador Pauley's position regarding the toughness of the Peace is that he favors neither a soft nor a "brittle" peace—denoting by the latter one so hard that it will break off soon after its consummation. . . .**Asked his position on the controversial Morgenthau Peace Plan, he stated that his only reaction to it is that gained from newspaper accounts. . . .**

* * *

The Commission will meet in Moscow within the next 10 to 20 days. . . . The Russian member will be M. Maisky, former Soviet Ambassador to London; the British participant is still uncertain. . . . Isador Lubin, the previously appointed United States member of the Commission, is accompanying Mr. Pauley as Chief Assistant, with the title of Associate and the rank of Minister. . . .

* * *

Actually—although unrecognized by the public—Labor furnishes significant news of the week. . . . This Conference and the designing of the World Organization have served to enlarge the AFL—CIO feud to a worldwide scale; and have brought to the fore the Soviet and international tieups of the CIO. . . . **The basic fight is whether the rightish International Labor Organization, backed by the AFL and the British Conference Delegation; or the leftish World Trade Union Organization, backed by the Russians and the CIO, shall be the group admitted to the World Organization as a subsidiary of the**

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Andersen Directing Blair Co. Bond Dept.

The municipal bond department of Blair & Co., Inc., 44 Wall Street, New York City, is now under the direction of Jonas C. Andersen, Vice-President.

SEC Registration Revoked

The registration of Charles E. Greene & Co., Aurora National Bank Building, Aurora, Ill., to act as dealer and broker, has been revoked by the SEC.

At the hearing ordered by the Commission, the registrant waived its opportunity to be heard, admitted the facts alleged in the order for proceedings, and consented to the entry of the revocation order by the Commission. The firm has been permanently enjoined from engaging in or continuing certain conduct and practices in connection with the purchase and sale of securities by the U. S. District Court for the North District of Illinois, Eastern Division. The decree, among other things, enjoins the registrant from soliciting and accepting customers' orders for the purchase and sale of securities or the deposit of money or securities from customers while its liabilities exceed its assets and registrant is unable to meet its current liabilities; the unauthorized sale of customers' securities; the hypothecation of customers' unencumbered securities; the sale to and purchase from customers of securities at prices bearing no reasonable relationship to the prevailing market prices thereof without disclosing such prevailing market prices; the effecting of purchases or sales of securities from, to and for customers with whom a trust and confidential relationship exists without disclosing to such customers the interest and profit of registrant; the failure to make prompt delivery to customers of the proceeds from the sale of their securities; the failure promptly to credit the accounts of customers with the proceeds of the sale of customers' securities and the appropriation of such proceeds to the account of partners of registrant.

Conflicting Social Concepts Prevalent at San Francisco

(Continued from page 2081)

Social and Economic Council. . . . The World Trade Union, in addition to the CIO, is supported by other nations who believe it necessary to appease Russia in the matter because of the indispensability of her presence. . . . The desideratum of the American and British delegations at this Conference is to wash their hands of the controversy. . . . The best prediction as to its disposition is that either both or neither of the rival organizations will be ultimately admitted to the Society. . . .

* * *

The World Trade Union Organization, embracing in addition to the Russians and the CIO, among others, includes the British followers of Sir Walter Citrine, whose activities are embarrassing the British Delegation considerably. . . . They are extremely active in their demands on the Conference and have been demanding that Labor as such—on a class basis—be actively represented, not only on the various Commissions administering this Conference, but that it be represented on the Economic and Social Council. . . . **On the general question of Labor's place, Sidney Hillman and Philip Murray strictly go along with the position of M. Molotov and the USSR—as vigorously stated last week—in opposing the established International Labor Organization—favored by the AFL.** . . . They contend that it is "a Government set-up, and does not really represent labor." . . .

* * *

It is learned on the highest authority that no such representation for Labor or any appointments whatever to the World Organization for Labor per se will be agreed to. . . . The World Organization is designed on a Governmental and National basis, and this will be adhered to in the face of efforts by all pressure groups. . . . **If Labor were to be placed on a Class B basis, the door would be thrown wide open to special pleaders for farmers, consumers, business, women, anti-Fascists, etc.** . . . Incidentally, the admission of Labor as such would extend on a continuing world-wide scale the differences between the CIO and AFL. . . .

* * *

The World Federation of Trade Unions, sponsored by M. Molotov both specifically by name and on occasion by inference, and being organized by Sidney Hillman and Philip Murray, emphasizes Internationalism as its cardinal aim. . . . Its preamble declares: **"The aims and objects can only be fully attained by the establishment of a world order in which all the resources of the world will be utilized for the benefit of all its peoples, the vast majority of whom are workers by hand and brain.** . . . The World Federation therefore proclaims its prime purpose to organize and unite within its ranks the trade unions of the world, regardless of considerations of race, (sic) nationality, religion, or political opinion; to assist the workers wherever necessary, in countries socially or industrially less developed, to set up their trade unions. . . .

* * *

The Federation has 60,000,000 worker members, from 35 countries, of which 27,000,000 are Russians and 10,000,000 are from Soviet satellite countries, with American CIO members amounting to only about 4,000,000. . . . **The Federation is devised in a manner to ensure a majority to the combination of the Soviet and Soviet-controlled countries. . . .**

* * *

Presumably, the Soviet wants to extend to the rest of the world the principle of "company unions," with the central government playing the role of the company. . . . Thus, in reply to questioning as to the Soviet manner of preventing strikes, Vasili Kuznetzov, head of the Council of USSR Trade Unions, and its representative on the Federation's Administrative Committee, **explained that his Government "arranges conditions so well that there is no necessity to strike."** . . .

* * *

American labor in general made known its definite position yesterday when representatives of the CIO, the AFL, and the Railway Labor Executives Association (representing the nation's 2,000,000 railway workers) met privately with the members of the American Delegation, including Mr. Stettinius and Commander Stassen. . . . The important labor leaders participating were: Messrs. Green, Beck, Bryan and Padway of the AFL; Murray, Carey and Pressman of the CIO, and McGowan of the Railroad Brotherhoods. . . . The CIO spokesman demanded that the World Federation of Trade Unions be directly represented on the General Assembly of the World Organization. . . . **The AFL asked that the Economic and Social Council be composed of four representatives each, of Labor, Agriculture, Business and Government.** . . . The Brotherhoods, not concerned with representation, are asking for "a suitable tariff structure" to protect American industry and labor, and the non-interference of immigration restrictions by 'so-called' humanitarian interpretation. . . .

It can be reported on the highest authority that the demands of the labor organizations, or of any other pressure groups, to set up the World Organization on other than national lines, will be unequivocally denied. . . .

* * *

The past week has brought forth a wealth of discussion—much of it behind the scenes—of the Economic and Social Council. . . . Unfortunately, however, solution of the basic uncertainties regarding its form and functions has not advanced in correlation to the volume of such discussion. . . .

In his press conference held to discuss the amendments to Dumbarton Oaks offered by the Four Powers, Mr. Stettinius shoved the Economic and Social Council sharply to the forefront. . . . This featuring was motivated by several factors, viz.: (1) the need to please such countries as Australia, France, Canada, and some Latin Americans, who have been demanding strengthening of the economic and social programs; (2) the weasel-wording regarding the Council in the Dumbarton Oaks text, in which the Council is not named as a principal part of the organization, does not act directly, nor has independent powers; (3) cynicism generated by the history of events following conferences held in the Nineteen-Twenties and Thirties—at Genoa, Brussels, etc., when governments scuttled all the fine principles laid down by the conferees; (4) the intention to counterbalance the overemphasis by both the Conference delegates and the public at large on the more colorful controversial problems pertaining to territorial security and political maneuvering of the Big Powers; and finally, the desire to satisfy the small nations who at the European War end are chiefly concerned with immediate social conditions at home. . . .

* * *

There is a basic difference of opinion whether the set-up of the Council should be worded in general terms or splled out definitely and in detail. . . . Canada, Australia, and to a lesser extent Great Britain, want definitiveness. . . . **The United States, for whom Dean Virginia Gildersleeve is directing these phases, will lean toward keeping the Charter general and "open-end" until the Council begins functioning.** . . . Despite Mr. Stettinius' verbal elaboration on the importance of economic and social matters, actually the amendments being proposed jointly by the Four Powers have no teeth and solely stem from and consist in repetition of the basic desire for human rights and fundamental freedoms as stated as general principles in Chapter 1 of the Security Charter. . . .

* * *

One danger inherent in spelling out the Economic Council's functions at this time is a lengthy and irreconcilable controversy in the midst of this Conference. . . . **For example, M. Molotov at his press conference of yesterday confined his discussion of economic matters entirely to the indispensable guarantee of the right to work, and the universal application of job-guarantee. . . .**

* * *

The advantage of avoiding definitiveness is emphasized by the very voluble demands of the labor interests here. . . . One group has been holding sessions in neighboring Oakland, and three others have pressed their demands on Mr. Stettinius and the rest of the United States Delegation in a meeting this week. It can be stated on the best authority that the general demands of Labor as well as proposals for the definition of economic, trade, and social aims and functions, will be shelved from the Charter to be drawn here, and left for ultimate decision to the organization itself in its post-war administration. . . .

* * *

From the discussions held thus far between the important powers it can be concluded that the Council will operate under the aegis of the General Assembly and that it will exercise these two basic functions: (1) the tying together and coordination of the various cooperating agencies (as the Breeton Woods Fund and Bank, etc.), and by means of recommendation, getting them to pursue general policies which shall conform to the organization's overall aims. This would constitue its relatively detailed operations. . . .

(2) The entry into more general fields like full-employment idealism, with checks against inter-agency overlapping of functions. . . .

* * *

The Economic Council will function chiefly as a recommendatory body. The effectiveness of several present international bodies, as the combined shipping adjustment board, the combined food board, the combined raw materials board, is hopefully pointed to. . . . **It must be realized, however, that while these groups have indeed possessed only recommendatory powers, they have operated harmoniously under the psychology of wartime emergency, and have acquired the agreement of only three countries.** . . . Possibly the functions of the Council's subsidiaries will be narrower like those of present League of Nations bodies, including the narcotics, the white slave, and the health organizattions, and the Institute of Intellectual Cooperation. . . . It is still uncertain whether in functioning, the Council will report both to the General Assembly and to the Member Nations, or merely to the General Assembly. . . .

* * *

The Australian Government, in vigorously seeking the "elevation of the Council into a principal organ of the World Organization," is proposing the use of a pledge system to bind countries to effect "improved labor standards, economic advancement, employment for all, and social security" within their own borders. . . . It also asks that the Council report regularly to the Assembly as to progress in the carrying out of such pledges. . . .

It is Australian Prime Minister Forde's conviction that his country's welfare can be helped through domestic measures taken for the stimulation of business and employment, rather than through international trade. . . .

* * *

The Canadian Delegation, which has manifested particular interest in the setting up of the Council, wants it to operate along the following lines:

(1) To communicate to the General Assembly and to Member States studies on the development of the world economic situation and reports on questions of international economic and social policy arising out of its consideration of the work of the various specialized agencies. . . .

(2) To fill requests of member countries to form special services for them in the economic and social fields, and

(3) To perform any functions which may be entrusted to it by agreements among Governments. . . .

* * *

It is most significant, in view of Canada's enthusiasm for the Council, that they nevertheless have taken care to specify that the operating technique shall be that of recommending and reporting, and that it definitely should not issue specific policy directives to the Member Governments, nor even to the specialized agencies. . . . So even in the minds of the Council's ardent proponents the Council is to be stopped from administrative functions. . . .

Difficulties barring the giving of administrative functions with real power to the Council, which are frustrating the conferees here as they have at the various past international political conferences which included economic sections, may be summarized as follows:

(1) Abandonment of national sovereignty would be entailed in vouchsafing powers "with teeth" to a central administrative body at least without the accompaniment of veto powers which would be self-defeating. . . .

(2) Even for the milder issuance of directives from the central body to the cooperating subsidiary agencies, it would entail direction of the 46 or so member nations comprising agencies like UNRRA by only the 18 nations comprising the Council. . . .

(3) In the general provisions of the Charter the Organization is specifically stopped from interfering in domestic matters. . . .

At most, therefore, the Council will refer matters for decision to the General Assembly. . . . It is generally admitted here that no more than to the Security Council in political matters will the Powers surrender power to the Assembly for the disposition of important social or economic matters. . . .

* * *

The continuing murkiness of the important trusteeship question was confirmed by the discussion at Commander Stassen's off-the-record press conference yesterday. The American proposals for the disposition of mandated and other dependent territories differ from the British. . . . **The Americans are insisting on their unwillingness to give up control of "strategic areas" which are wanted for security purposes, while the British policy is viewed as much more liberal and consistent with the spirit of a real world peace organization. . . .** The Soviet position on the problem is completely obscure. . . At his conference Monday, M. Molotov emphasized his endorsement of the trusteeship principle with respect to colonial positions, and expressed agreement with the British position. . . . However, it was revealed today that the Big Five had not received any proposals or amendments whatever from M. Molotov. . . .

The upshot of all the varied discussion is that when final disposition comes there is no real contemplation by any Power of giving up its own colonies to trusteeship; and the only lands trusteed will be some of the conquered territories. . . . **And even of these conquered territories, many will be retained by the conquerors, including Belgium, Holland, Australia, and the United States, who are making exceptions to idealistic conduct for "reasons of security. . . ."**

* * *

Guiding the American Delegation expertly as to the areas required for national security is Admiral Wilson for the Navy. For the Senate, Senator McCarran, Chairman of the Judiciary Committee, arrived on the scene today, and authorized your correspondent to quote the following declaration:

"Never will the Senate give up territories for which our boys have given up their blood. . . . Irrespective of expense, our sole object is to guarantee the perpetual safety of our country. . . . To this end we will keep our pin points of security —Guadalcanal, Dakar, Saipan, Guam, Carne Bay, Port Arthur, and Pantellaria." Ironic indeed would it be if these fought for and dollar influenced security guarantees turn out to be illusory and but an outmoded Maginot Line by the time of the next war. . . .


Sen. Pat McCarran

* * *

On regional arrangements, on which a compromise has been worked out by the Big Four, there is no agreement when there is a real sacrifice to be made. . . . France is going to preserve her security on a regional basis; the Philippines want regional protection, and Russia certainly is going to protect herself promptly and practically by her adjacent security belt. . . . For the British Delegation, Lord Cranborne stresses the need for Britain's second line of defense, and the United States has convincingly demonstrated (versus Molotov on the Argentine question) the solidarity of her inter-American bloc. . . . **Moreover, it is known that the signatories to Chapultepec are ready to shout murder at the thought of abrogation of their regional agreements. . . .** Discussions about the World Court are proceeding, with the chief snag being the question of compulsory jurisdiction. . . It must preliminarily be understood that political disputes will come under the political authority, such as the Security Council, while legal disputes only come under the aegis of the World Court. . . . **The question being wrestled with is whether the Court's jurisdiction over such disputes shall be compulsory. . . .** As international law is still undeveloped, the judges are progressively making the law. . . . Hence a majority of the judges would in reality be legislating without veto. . . . The result is that there is no compulsion, but only an optional clause, and a State does not say in advance that it will submit questions without reservation. . . . Only the Chinese have stated that they will agree to compulsory submission. . . . **In this field again Governor Stassen is advocating the practical policy of compromising pending future developments. . . .**

* * *

It may interest New York bridge players to know that Ely Culbertson, who bitterly resents being known as a bridge player in lieu of philosopher-economist, is out here unceremoniously blasting away at the Conference. Said he at a recent meeting: "The unamended Dumbarton league is a system of collective security which is neither collective nor secure; an assembly of mice presided over by a few cats and a hybrid combining the worst features of two plans that have previously failed—the first League of Nations (now buried with military honors) and the Holy Alliance (which in seven years became very unholy). The claims made by the architects of the Dumbarton league, that it is endowed with an 'adequate force' is false on the face of it, since any of the Big Five may veto the use of the armed force against itself or its ally as aggressor. The widely advertised 'teeth' in the Dumbarton league, therefore, turn out to be a set of false teeth, which could not bite anybody, except the small fry." . . .

* * *

Others, in view of the exclusion of neutrals, are suggesting that the new Organization be christened "The League of Veterans." . . .

It seems that international conferences proceed in the following four typical stages, the second of which marks the present position of San Francisco:

(1) Preliminary with all participants scurrying about and believing that organizational matters are all important;

(2) Everyone asks, "Is the Conference getting anywhere?" Not only is this the question now, but individual opinions and guesses thereon change from hour to hour (accentuated by developments having to do with the unpredictable Russians);

(3) The period of deadlock;

(4) The last-minute solutions of the previous deadlocks, with tremendous acceleration of final decisions and formal agreements and terminations. . . .

* * *

Speedy termination is being urged by most of the elder statesmen, excepting those from the South American countries. . . . This desire is daily becoming increasingly stimulated by the rapid progress of events in Europe and the need for attention thereto. . . . It is known that our Ambassadors in some foreign capitols, who had been called home for consultation last week, were instructed to remain at their posts until the termination of this Conference. . . . **May 26 is the termination date that will be prophesied by Alger Hiss, Secretary General of the Conference, in a network broadcast to be delivered next Saturday.**

Bruns, Nordeman Co. Adds Laurence Lubin to Staff

Bruns, Nordeman & Co., 321 Broadway, New York City, members of the New York Stock Exchange, announce that Laurence H. Lubin is now associated with them as co-manager of their stock and cotton department. Mr. Lubin was previously with Fox, O'Hara & Co.

Business Man's Bookshelf

Can Government Guarantee Full Employment?—No. 13 in a series on Post-War Readjustments—Chamber of Commerce of the United States of America, Washington 6, D. C.—paper—5¢.

Corporate Cash Balances 1914-1943—Manufacturing and Trade—Friedrich A. Lutz—National Bureau of Economic Research, 1819 Broadway, New York City—cloth—$2.00.

Effect of Federal Taxes on Growing Enterprises—Study No. 3 of the Lithomat Corp.—J. Keith Butters and John Lintner—Division of Research, Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Mass.—paper—50 cents.

Industrial Expansion and Government Plant Disposal (Fourth Federal Reserve District)—Federal Reserve Bank of Cleveland, Ohio—paper.

Is Finland Worth Saving?—"Save Finland Committee," 406 Lonsdale Building, Duluth, Minn.—paper.

Justice in Transportation, An Expose of Monopoly Control—Arne C. Wiprud—Ziff-Davis Publishing Company, 350 Fifth Avenue, New York 7, N. Y.—cloth—$2.00.

Money and Banking, 1942-44—League of Nations—International Documents Service, Columbia University Press, 2960 Broadway, New York, N. Y.—cloth—$3.

Bendix Luitweiler Admit

Bendix, Luitweiler & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Jacques Pierre Albrecht to special partnership in their firm as of May 17.

The Outlook for Prices

(Continued from first page)

(1) In the first place, *price-fixing has failed to fix prices.* It can be said that the current symptoms suggest a strong tendency for prices to rise. The Bureau of Labor Statistics index makes new highs almost every week. All the price indexes with which I am acquainted may best be described as moving irregularly in a rising path. Moreover, in this connection, remember that the price indexes include only official or published prices. They do not include black markets. There is nothing in them that reflects the fact that when I go to a restaurant where I used to dine, six months ago, I find that my money now buys about half as much as it did then.

Most emphatically, I doubt the significance of the attitude, or the argument, which is based upon the notion that price-fixing has been actually effective, and that prices have really stabilized.

(2) My second, and perhaps my main point, however, is that there is only one outcome in a situation in which we find both *a plethora of currency and a shortage of goods.* To my mind, the inevitable outcome of such a potential inflation as we now have is effective inflation—inflation in prices. The fact is that a huge potential inflation now exists, one which has grown enormously since the time a year ago when I emphasized it in addressing this same group. The first element in this potential is the plethora of currency. According to the latest Government reports there are upwards of $66,000,000,000 in demand deposits owned by corporations and individuals. These deposits have recently increased more rapidly than at any time on record. (I do not even bother to refer to the record high in money in circulation at over $26,-000,000,000.)

Part of this inflation in deposit currency is seen in the possession of large reserves by corporations, which reserves in themselves guarantee both that there will not be much recession, and also that there will be a large demand for capital goods. A leading oil company has just reported that last year it made a provision of $12,-000,000 for war and post-war contingencies. A well-known dairy company reports its intention to spend from $50,000,000 to $75,000,000 in the first five years after the war in new plant, equipment, and trucks, which spending will come from its excess reserves against depreciation and its generally improved cash position.

Then there are the other so-called liquid assets in the shape of billions of dollars of Government bonds held by individuals and corporations, which remain to be cashed in and spent in the post-war period.

Over against this plethora of currency is the shortage of goods. We have plenty of money, but no meat! Total industrial production has been gradually declining with the curtailment of war goods. The main point to be stressed, however, is the low level of stocks of commodities in many lines. At the factory level there are shortages not only of meat, but of vegetable oils, linseed oil, lumber, paper, finished cotton goods and yards, felt, jute and burlap, and coal, to give but a partial list. These shortages are so great in some of the cases that it will take several years to bring stocks up to normal. This is true largely because there are low reserves of material and equipment, and partly because of a scarcity of labor.

And at the retail and wholesale levels there is a serious element of shortage and unbalance in inventories. The total quantity of goods in stock at department stores is probably less than before the war. Besides that, the inventories are so broken and ill-assorted that with peace, merchants will place large orders. In the home, too, consumers' inventories are reduced, ill-balanced, and deteriorated. To replenish these distributor and consumer inventories will take much time and add greatly to the force of demand for goods.

I conclude that there are so many dollars to spend, and so few goods to buy, that prices must rise in a free country.

(3) Not only is there a plethora of currency and a shortage of goods, but also there has been a partial realization of the potential inflation in the shape of some actual price rises. The potential inflation has found irregular or unequal expression in effective inflation. *This has brought important maladjustments,* in that some prices have risen while others have not. Thus the ratio of raw material prices to finished goods prices is abnormally high. The ratio of farm products prices to non-agricultural prices is also abnormally high. These are maladjustments which must be corrected, or else prosperity and full employment will never be attained.

But there are *two* ways to correct these maladjustments. One's first thought may be that the raw materials and farm products prices must come down. In my judgment, however, it is probable that the prices of finished and semi-finished goods will rise so as to restore equilibrium with the level of raw material prices. Similarly, non-agricultural prices will rise relatively to farm-goods prices. In this connection I would emphasize the present condition of semi-finished commodities as reported by the Bureau of Labor Statistics. Such commodities include metals, leather, rubber, sugar, textiles, and other products of smelters, refiners and heavy industries in general. This group of prices is extraordinarily and abnormally low with relation to finished goods or raw materials. There never has been a boom in which semi-finished goods prices have not risen with relative sharpness to a position above the average in comparison with other prices. I think something like this will occur again.

As to agricultural products, I note that there is considerable talk to the effect that they will decline in price. This idea, however, is unduly colored by the fact that in a few cases production and stocks are adequate, as may be said of cotton and several grains. But livestock, fats and oils, leather, and a good many other farm products, are scarce and likely to remain so for a long while. Moreover, in the case of cotton, one finds an interesting illustration of the way in which prices are likely to be held up even when the quantity on hand is apparently excessive. A Benjamin Franklin balance sheet of the cotton statistical position runs somewhat as follows:

The bullish arguments are: Estimates of the acreage to be planted this year are down from 8% to 10%. Unfavorable weather conditions prevail and the shortage of farm labor and equipment is great. The "free" cotton supply is very low and may end the season at less than 3,000,000 bales. Over 4,100,000 bales have gone into the Government purchase and loan arrangement already. The mill demand remains active, with Government buying sustained at a high level. Old-crop contracts have risen, reflecting the scarcity of spot cotton. It seems clear that the price will have to rise in order to cause Government-held cotton to come out. No easing in the tight yarn and goods situation seems likely for a long while after V-E Day. And the Government parity program remains, with many farm interests seeking to increase it by including labor costs not only for hired labor but for the farmer's family among the items to be covered.

On the bear side: Farmers seem to be somewhat skeptical as to future prices and the continuation of the Government program. World production has been above world consumption in the last few years, and the price of cotton still seems to be maintained above its market value. Certainly world supplies are in excess of any consumption now in sight.

The answer seems to be that cotton prices will hold up for the duration, react somewhat in the nearly post-war period, and then rise again on account of the great shortage of yarn and finished goods!

Even in the case of wheat, of which the crop in this country promises to be large, it will be noted that the European wheat crop is the smallest in a good many years; that the needs for grains for foreign relief promise to be large and long-continued, and that there is no evidence that the Government loan and purchase program will not be continued, with the possibility that the farm parity level may even be raised.

In short, it is my judgment that so many prices are now inflated that, in view of the plethora of currency and the shortage of many goods, those prices which are nominally not inflated will be adjusted to those which are inflated, notably in the case of the semi-finished group.

A vital point in this connection is the price of building. The cost-of-building indexes have risen much as they did in the inflation following World War I. The market price of buildings is greatly inflated. Residential rents may be held down, but the result is that renters are forced to buy and to pay prices frequently as much as 50% above what they could have bought for two years ago.

A new building cycle is now in sight—one which will doubtless not reach its peak for a period of six to eight years. Rarely, I think, will one find an upward swing of the building cycle without a predominantly rising trend in commodity prices. Be that as it may, I feel reasonably sure that such will be the case in the present cycle. The reserves of such building materials as lumber, brick, plumbing equipment, linseed oil, and rosin, are very low. Add the shortage of labor and you can see that it is going to take a good deal of time and a good deal higher prices to provide America with the homes that are now lacking.

(4) My fourth main point is that the attempt to control the price indexes by doing something to *average* prices is breaking down. Not only that, but the error of not recognizing marginal conditions and the importance of differential returns above margin is becoming apparent. The Government is trying to hold down the price average, as judged by price indexes, and Mr. Bowles has fixed a maximum average price (MAP). One trouble with this procedure is that no one of us buys an average bill of goods. The average price is an unreal concept of price, and when you take any particular item you find that it is apt to be higher, although the statistician may figure that the average is not. Trying to deal with prices as averages is the last resort of a price-fixer. It marks the same debacle that appeared in the thought of Karl Marx when he said that his theory applied only to total value—an unreal and non-existent figment of the imagination.

The point to be emphasized is that trying to fix average prices is associated with the failure to allow the differential returns which are the main incentive to production, thus preventing the increases in output that many are counting upon to hold prices down. Really there are two margins of production. One is the high-cost, or inefficient firm. On this margin the Government tries to help, in order to keep alive low-priced items. The other margin, however, is found in the least profitable operations of the efficient or low-cost firms. These the Government does not recognize, and as a result the chief sources of increased production are shut off.

By holding the average price down, while subsidizing the high-cost producer, the profits of the low-cost producers are limited, but the largest source of supply is stopped. A marginal concern may have a cost of $10 per unit, and at that figure be able to contribute 1,000 units without loss. But if the price were raised to only $8, an efficient company having an average cost of $5 per unit might desire to add a hundred thousand units, and a million units at the $10 price which is now paid only to the high-cost producer. The average price is kept down, and with it the total profit. But the volume of output is thus prevented from increasing.

(5) My fifth point is that the *inevitable result of the easy-money policy is inflation in prices.* At the present time money is easy in all senses. There is lots of credit. Money rates are abnormally low. It is the latter point that I would stress.

As a result of abnormally low money rates, corporations are borrowing more funds than they otherwise would. They are using the easy-money situation to float large amounts of new securities. Recently there was a veritable rush on the part of investment bankers to get into the money market with new corporation bonds and preferred stocks in order to beat the new war-loan drive. The proceeds will be available for spending in due course. This will immediately increase the demand for capital goods. Increased payrolls will result, thus increasing the income of laborers, and so on around the economic circle. As yet, most of the new issues have been refunding, but this means lower fixed charges, leaving net earnings available for dividends and making a higher capital value of corporation assets.

The same condition of easy money or abnormally low interest rates tends directly to increase capital values in the security and in the real estate market. Farm lands are rising much as they did after World War I, the increase between 1939 and March 1 of this year having been about 50%.

Is this move, then, like the boom of 1920, when farm prices rose to 170 (1912-14 equals 100), only to fall sharply in 1921 and finally touch a low of 73 in 1933?

In my opinion something somewhat like this will occur eventually, but the extent and timing of the move will differ. Here are some important factors now:

Farm lands are still probably considerably below the final peak. The American Bankers Association recently stated that in their opinion some good buys still remain. There has been a good deal more caution than in the twenties.

Two of the main causes of the boom are low money rates and large liquid savings. There is no early prospect of higher money rates. The maximum spending of the war workers and returning veterans still remains to find expression.

Probably the prices of farm products are not going to fall as they did after 1920, and farm incomes seem more likely to be sustained by Government subsidies and price maintenance operations.

About 55% of the buying has been for cash. There has also been far less mortgaging of their farms by farmers, for the purpose of buying more land.

Thus the reaction should be less drastic and not go nearly as far as in the period after World War I.

As to residential real estate, in connection with a recent purchase I found myself being urged to borrow at 4% to 4½% in order to buy a piece of property which had been marked up about 33⅓% in the last year or two.

But, while easy money is thus working for inflation in capital values, the question may arise: will not credit strain soon develop sufficiently to check such inflation? I do not think so, and this is one reason for my confidence that price inflation will continue to grow. To be sure, we do find the ratio of loans and investments to total deposits fairly high, and the Federal Reserve ratio still declining though already at the lowest level since the bank holiday of 1933. But it seems that for a long while yet the people will accept a growing proportion of Government bonds in the so-called reserves of the banks, and that the process of monetizing the public debt will continue.

(6) My sixth reason for anticipating much higher prices is the fact that such indications as we have are to the effect that *the dollar has depreciated with relation to gold.* Black market operations in francs and the relations existing among rupees, pounds and dollar in the Orient have suggested that the dollar price of an ounce of gold in a free market would be much higher than $35. I will add that it is my opinion that gold will inevitably return as the standard for the currencies of the leading commercial nations of the world, and I believe that when the war is over and the importance of developing international trade is more clearly seen, the return to gold will come soon. Therefore, if the dollar is now overvalued in relation to gold, we may expect higher prices to result from a return to the gold standard.

Here lies the significance of the bill to reduce the gold reserve required to back the note and deposit liabilities of the Federal Reserve System. Just passed by the Senate, this bill proposes to reduce the gold reserve to 25%. More than that, it extends indefinitely the right to use the Federal debt as security for Federal Reserve notes, up to 75% of their face value. In other words, it goes at least 75% of the way toward monetizing the public debt. When this bill becomes law, as it is practically certain to do, it can be said that the larger the debt the more money we have.

(7) Finally, my seventh point is that *recent political developments have tended gradually to increase confidence in the business future.* The immediate strong rise in the stock market following the entrance of Mr. Truman to the White House is strong evidence to this effect. This increase in confidence will make for freer spending, and gradually increase the tendency to put vast quantities of idle funds to work. It will eventually break the charm which has held funds idle in a sort of "liquidity" complex (liquid money has been idle money), and once the bank deposits begin to turn over at anything like a normal rate, business volume will expand enormously, and prices will rise. Indeed, that is the only way that the vast volume of funds now available can actually ever be used.

In Sum:

1. Real prices, actually paid, are rising. Price-fixing cannot hold them down.
2. So many dollars to spend; so few goods to buy.
3. Partial effectiveness of inflation has brought maladjustments, such as the relatively low level of semi-finished commodities.
4. The attempt to fix an *average* price is not only futile, but also restricts production.
5. Easy-money, by increasing capital values, makes prices rise.
6. Evidence that the dollar has depreciated in terms of gold.
7. Recent political developments making for less radicalism, point to increased confidence and demand for goods.

Dean Madden Points to Possible Legislation to Reduce Bank Profits

(Continued from page 2055)

sequences of such measures? Are such measures warranted?

The bulletin traces recent anti-bank legislation and trends at home and abroad:

Bills have already been introduced in Congress with a view to reducing the interest burden at the expense of the banks, while some officials in Washington have stated that the earnings of the banks derived primarily from their holdings of Government securities are greater than is warranted by the services rendered by these institutions.

In some countries, notably Australia, measures have already been taken to prevent the banks from profiting from the increased debt of the government.

It is not yet known what steps will be taken by some of the continental European countries concerning the holding of Government obligations by the financial institutions. In some of these countries there is a very strong trend toward nationalization of banks.

Even in England the question of bank earnings derived to a large extent from the holding of Government securities has aroused considerable discussion. One suggestion, made by Mr. Geoffrey Crowther, editor of the (London) Economist, was to the effect that the joint stock banks treat the earnings on holdings of Government securities in the same manner as the Issue Department of the Bank of England. As is well known, the net income of that department, derived almost exclusively from the holding of Government securities as cover against the fiduciary note issue, is turned over to the Government.

In analyzing the consequences of measures aimed at reducing bank earnings on Government securities the bulletin states:

The effects of the steps that may be taken to reduce the earnings of the banks derived from their holdings of Government securities and thereby alleviating the debt burden will depend primarily on the nature of the measures adopted. The following policies may be instituted: (1) reliance by the Treasury on a larger floating debt than at present and shortening maturities and lowering the rate of interest of securities which find their way into the hands of the banks; (2) issuance of special securities to the banks, with or without interest, in exchange for maturing obligations; (3) levying special taxes on the banks.

A Larger Floating Debt. A further increase in the floating debt resulting from offering the banks only short-term obligations, mainly certificates of indebtedness, would have the following effects:

1. The interest of the monetary authorities in the money market would continue to be great because of the constant need for refinancing of maturing obligations. Since the Treasury will have to refinance each year a very large amount of maturing obligations, it will become imperative for it to prevent an increase in short-term rates, because such a development would defeat both objectives; that is, keeping the debt burden down and reducing bank earnings on Government obligations.

2. It would preclude for years to come the application of quantitative credit control by the Federal Reserve authorities. They would not be in a position to engage in open-market sales, to increase reserve requirements, or to raise the discount rate because such measures would lead to an increase in interest rates and in the cost of refinancing. Therefore, in order to maintain control over the money market and to prevent the abuse of bank credit, the Federal Reserve authorities would have to rely primarily on qualitative credit control, i. e., regulating the flow of credit in accordance with their policies. The powers of qualitative credit control now vested in the Board of Governors are, however, limited and apply only to loans of banks to brokers and other customers for carrying securities on margin, and to installment credit. The latter is merely an emergency power. It is, therefore, likely that at the end of hostilities the Reserve authorities may endeavor to obtain additional powers to regulate the flow of credit and capital into channels considered desirable and to prevent the use of bank credit for purposes deemed economically unsound.

3. A large floating debt would mean continuous low money rates. If the volume of short-term Government obligations should, however, increase substantially, and particularly if investors—especially the financial institutions—became convinced that there was no possibility of a material increase in money rates, many banks might be induced to shift their holdings of short-term Government obligations into longer-term maturities. Such a development would lead to a reduction in long-term interest rates and a moderate increase in short-term rates. Should such a situation arise, the policy of the Treasury to keep the debt burden down through a large floating debt would to a considerable extent be nullified. Under such circumstances it might become advisable for the Treasury to fund some of the short-term obligations into medium-term maturities.

4. Despite the controls over the money market, a large floating debt constitutes a threat to the Treasury. Some unforeseen developments may occur which may make it difficult for the Treasury to refinance maturing obligations. On such occasions the Treasury may have to rely primarily on the Federal Reserve banks and the support given the Treasury may conflict with the credit policy of the Reserve authorities.

Offering Special Securities to the Banks. Low-coupon-bearing securities in themselves would not affect bank earnings materially since the return on Government obligations already is exceedingly low, particularly after taxation. However, special securities restricted to banks would obviously have limited marketability. As a result, the liquidity of the banks and the money market, which currently depends to a very large extent on short-term Government obligations, would be impaired.

Forcing the banks to exchange their maturing obligations into non-interest-bearing securities would have a decidedly adverse effect on the banks as well as on the money market. Special legislation would have to be enacted by Congress to compel the banks to hold a stipulated percentage of their total assets or deposits in such obligations. Otherwise banks

(Continued on page 2088)

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 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. on April 21 filed a registration statement for 100,000 shares of 90 cent cumulative convertible preferred stock (par $15.

Details—See issue of May 3.

Offering—The price to the public is $16.625 a share.

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.

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. on April 21 filed a registration statement for 280,312 shares 4½% cumulative preferred stock (par $20).

Details—See issue of May 3.

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.

Underwriters—Paine, Webber, Jackson & Curtis head the group of underwriters, with names of others to be filed by amendment.

SUNDAY, MAY 13

MAJESTIC RADIO & TELEVISION CORP. on April 24 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.

Details—See issue of May 3.

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

Underwriters—Kobbe, Gearhart & Co., Inc., is named principal underwriter.

MONDAY, MAY 14

AMERICAN BOX BOARD CO. on April 25 filed a registration statement for $1,000,000 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.

Details—See issue of May 3.

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.

Underwriters—Paine, Webber, Jackson & Curtis and Paul H. Davis & Co. head the group of underwriters.

GODCHAUX SUGARS, INC. on April 25 filed a registration statement for 29,370 shares of $4.50 prior preferred stock, cumulative (no par).

Details—See issue of May 3.

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.

Underwriters — Hallgarten & Co., and Harris, Hall & Co., Inc., head the group of underwriters.

TUESDAY, MAY 15

DEERE & CO. on April 26 filed a registration statement for $19,500,000 20-year 2¾% debentures, due April 1, 1965.

Details—See issue of May 3.

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

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.

WEDNESDAY, MAY 16

CLYDE PORCELAIN STEEL CORP. on April 27 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.

Details—See issue of May 3.

Offering—Price to the public is 100.

Underwriters—Kobbe, Gearhart & Co., Inc., and Newburger & Hano are principal underwriters.

REVERE COPPER & BRASS, INC. on April 27 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.

Details—See issue of May 3.

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

Underwriters—Blyth & Co., Inc. is the principal underwriter.

SATURDAY, MAY 19

WASSON & CO. has filed a registration statement covering 64 units of undivided fractional interest in ⅞ working interests in 37½ acres of Elson farm, section 30, Muskingum County, Ohio.

Address—Pittsburgh, Pa.

Business—Oil and gas leases.

Offering—Each 1/64 unit is being offered at $400 or a total of $25,600.

Proceeds—For working capital.

Underwriter—Wasson & Co., Inc.

Registration Statement No. 2-5732. Form S-10 (4-30-45).

EUREKA VACUUM CLEANER CO. has filed a registration statement for 122,500 shares ($5 par) common stock.

Address—6060 Hamilton Avenue, Detroit, Mich.

Business—Manufacture of vacuum cleaners, etc.

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

Proceeds—The company entered into a plan of merger with Williams Oil-O-Matic Heating Corp., dated April 25, 1945, under which Williams will be merged into Eureka which will be the continuing corporation. The consummation of the plan is contingent upon the purchase by Eureka from Walter W. Williams of 245,000 shares of Williams Oil-O-Matic common for $1,386,700, and the purchase of such other shares of Williams as have been deposited by other stockholders of Williams for sale at $5.16 per share. The proceeds to be received by Eureka from the sale of stock will be used to pay for these shares. The shares of Williams purchased by Eureka will be cancelled. Eureka will issue on account of the merger to the remaining shareholders of Williams one-half share of its $5 par common for each one share of Williams.

Underwriters—Hornblower & Weeks and Kebbon, McCormick & Co. are named principal underwriters.

Registration Statement No. 2-5733. Form S-1. (4-30-45).

SEARS, ROEBUCK & CO.—The Savings and Profit Sharing Pension Fund of Sears, Roebuck & Co. Employees and Sears, Roebuck & Co. has filed a registration statement for 25,000 memberships in the fund and 160,000 shares of capital stock of Sears, Roebuck & Co.

Address — Company address 925 South Homan Avenue, Chicago, Ill.

Purpose—The 25,000 memberships in the fund represent the maximum estimated number of memberships which may be offered to eligible employes, during the 12 months' period following the effective date of the registration statement, upon their becoming eligible for membership. The 160,000 shares of capital stock of Sears, Roebuck represent the maximum number of shares which, it is anticipated, may be purchased by the fund for its members during said period in accordance with the rules of the fund.

Registration Statement No. 2-5734. Form A-2. (4-30-45).

HOTEL SYRACUSE, INC. — Lewis F. Lighton, Jr., Edward Eagan, Eric W. Will, Frank G. Sawmiller, J. Norman Crannage, Jerome H. Searl and Walter F. Kaiser, voting trustees, have filed a registration statement for voting trust certificates for not more than 57,200 shares of Class A preferred and 75,000 shares of common stock of Hotel Syracuse, Inc., all $10 par value.

Address—Of issuer, Hotel Syracuse, East Onondaga and South Warren Streets, Syracuse, N. Y.

Business—Hotel business.

Purpose—For extension of voting trust.

Registration Statement No. 2-5735. Form F-1. (4-30-45).

MONDAY, MAY 21

FUNDAMENTAL INVESTORS, INC. has filed a registration statement for 250,000 shares of $2 par capital stock.

Address—New York City, N. Y.

Business—Investment trust.

Offering—At market.

Proceeds—For investment.

Underwriter—Hugh W. Long & Co., Inc.

Registration Statement No. 2-5736. Form S-5. (5-2-45).

WEDNESDAY, MAY 23

PACIFIC GAS & ELECTRIC CO. has filed a registration statement for 700,000 shares of common stock (par $25). The shares are owned by the North American Co. which is offering them.

Address—245 Market Street, San Francisco, Cal.

Business—Public utility.

Offering—Price to the public will be filed by amendment. The shares are to be offered at competitive sale under the Commission's Rule U-50.

Proceeds—Go to North American Co.

Underwriters—To be filed by amendment.

Registration Statement No. 2-5737. Form S-1. (5-4-45).

EVERSHARP INC. has filed a registration statement for $3,000,000 4½% convertible income debentures due 1965.

Address—Chicago, Ill.

Business—Manufacturer of fountain pens and mechanical pencils.

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

Proceeds—Will be used in part to reimburse company for expenditures in past fiscal year for plant improvements and for working capital. In addition a portion may be used in connection with acquisition of patent rights and production facilities for new type of fountain pen.

Underwriters — Lehman Brothers was named principal underwriter, with names of others to be filed by amendment.

Registration Statement No. 2-5738. Form S-1. (5-4-45).

THURSDAY, MAY 24

COUNTRY SHORE APARTMENTS, INC., has filed a registration statement for 3,009 shares (no par) common stock.

Address—Executive office—Suite 315-11 S. La Salle Street, Chicago, Ill.

Business—Apartments.

Purpose—In order that the determination may be made by the interested parties as to whether their interests would be best served by the current cash liquidation of the property in the manner provided by the trust agreement or through a sale thereof to a new corporation in which the trust certificate holders may become shareholders and thus provide the mechanics for the continued operation of the property until a cash sale of the property can be effected when deemed desirable by them, Country Shore Apartments, Inc., has been formed and has offered to purchase the premises commonly known as the Country Shore Apartments.

Registration Statement No. 2-5739. Form S-1. (5-5-45).

COUNTRY SHORE APARTMENTS, INC.—Raymond L. Redheffer, Daniel J. Brumley and Charles J. Youngas trustees under a trust agreement dated April 15, 1945, have filed a registration statement for voting trust certificates for 3,009 shares of capital stock of Country Shore Apartments, Inc.

Address—Executive office—Suite 315-11 So. La Salle Street, Chicago, Ill.

Business—Apartments.

Offering—On or about May 31, 1945. Offering to be limited to persons entitled to receive shares of issuer under purchase transaction.

Purpose—See above.

Registration Statement No. 2-5740. Form F-1. (5-5-45).

NATION-WIDE SECURITIES CO., INC., has filed a registration statement for 300,000 shares of capital stock, par $1.

Address—One Wall Street, New York City, N. Y.

Business — Diversified management investment company.

Management—The company's assets are supervised by the firm of Calvin Bullock.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5741. Form S-5. (5-5-45).

HEWITT RUBBER CORP. has filed a registration statement for 190,000 shares of common stock ($5 par). The registration includes 10,000 shares being offered by a stockholder.

Address—240 Kensington Avenue, Buffalo, N. Y.

Business—Regular products include industrial hose, belting and rubber products, etc.

Offering—The 190,000 shares registered include 120,000 shares offered in exchange for the 75,000 outstanding shares of capital stock of Robins Conveyors, Inc. on the basis of 1.6 shares of Hewitt for each share of Robins. The remaining 70,000 shares, including 10,000 shares being sold by a stockholder, are underwritten. Price to the public will be filed by amendment.

Proceeds — The net proceeds from the 60,000 shares being offered by the company will be added initially to the general corporate funds of the company.

Underwriters—F. Eberstadt & Co. is named principal underwriter.

Registration Statement No. 2-5742. Form S-1. (5-5-45).

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.

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.

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.

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 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 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.

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 109,000 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.

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.

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.

Underwriters—Van Alstyne, Noel & Co. named principal underwriter.

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.

FAIRCHILD ENGINE AND AIRPLANE CORP. April 11 filed a registration statement for 90,000 shares of $2.50 cumulative preferred stock (no par).

Details—See issue of April 19.

Underwriters—Smith, Barney & Co. head the underwriters.

Offered May 3 at $50 per share.

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.

KOBACKER STORES, INC. on April 6 filed a registration statement for 55,781 cumulative preferred shares (par $20) 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.

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.

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.

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.

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).

Details—See issue of April 12.

Issue Awarded May 8 to Harriman Ripley & Co., Inc. on bid of 102.30 for a 3.90% dividend.

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.

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).

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 has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

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.

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.

RALSTON PURINA CO. on April 4 filed a registration statement for 100,000 shares of 3¾% preferred stock, series A (par $100).

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.

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.

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.

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.

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.

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.

THERMOID CO. April 17 filed a registration statement for $3,000,000 first mortgage 3¼% bonds due April 15, 1960, and 19,533 shares of convertible preferred stock, $2.50 cumulative (par $50).

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.

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.

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., $500,000 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 Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles.

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.

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.

Over Counter Comm. For New York Fund

The following committee has been formed to solicit contributions from the Over-the-Counter Industry for the current campaign of the Greater New York Fund:

Frank Blair of Allen & Co., 30 Broad St., New York 4, N. Y.; Howard S. Hoit, Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.; Alfred E. Loyd, New York Security Dealers Association, 42 Broadway, New York 4, N. Y.; Arthur Marx, Wilson & Marx, Inc., 165 Broadway, New York 6, N. Y.; Richard C. Rice, J. K. Rice, Jr. & Co., 120 Broadway, New York 5, N. Y.; Bertram Seligman, Ward & Co., 120 Broadway, New York 5, N. Y., and Clarence E. Unterberg, Chairman, C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Checks drawn to the order of the Greater New York Fund may be given to any these gentlemen or sent direct to the office of the New York Security Dealers Association at 42 Broadway, New York 4, N. Y.

Graham-Paige Pref. Offered at $25 a Share

Offering of a new issue of 200,000 shares of 5% convertible preferred stock, cumulative (par $25) of Graham-Paige Motors Corp., was made May 8 by Allen & Co. The stock, priced to the public at $25 a share, was heavily oversubscribed.

Of the net proceeds to be received by the company, $176,000 will be used for the payment of the balance due on a note to the Reconstruction Finance Corp.; $61,500 will be used to redeem the presently outstanding shares of 7% cumulative preferred stock, and the balance will be available for general corporate purposes.

The new stock initially will be convertible into common stock on the basis of three shares of common for one share of preferred. The preferred stock will be redeemable in whole or in part at any time on 30 days' notice at par plus a premium of $2.50 per share and all unpaid accrued dividends.

DIVIDEND NOTICES

Sun-Kraft INC.

DIVIDEND NOTICE CLASS "A" STOCK

A regular quarterly dividend of 12½ cents per share on the Class "A" Stock of Sun-Kraft, Inc., has been declared, payable May 15th, 1945 to stockholders of record at the close of business May 1st, 1945. Checks will be mailed.

SUN-KRAFT, INC.
CHICAGO
A. V. ASHMAN, Secretary

Manufacturers of Sun-Kraft quartz ultra-violet ray equipment.

The Board of Directors of

Wentworth Manufacturing Company

has declared a dividend of twelve and one-half cents (12½c) per share on the outstanding common stock of the Company, payable on May 31, 1945 to stockholders of record at the close of business May 19, 1945.

Checks will be mailed.

JOHN E. McDERMOTT, Secretary.

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.

MAHONING INVESTMENT COMPANY

The Board of Directors of Mahoning Investment Company declared on May 3rd, 1945 a dividend of $2.50 per share on its Capital Stock, payable May 15th, 1945 to stockholders of record at the close of business May 8th, 1945.

O'DONNELL ISELIN, *Secretary.*

The New York Central Railroad Co.
New York, May 9, 1945

A dividend of Fifty Cents (50c) per share on the capital stock of this Company has been declared payable July 16, 1945, at the Office of the Treasurer, 466 Lexington Avenue, New York 17, N. Y., to stockholders of record at the close of business May 26, 1945.

G. H. HOWE, Treasurer.

ROCHESTER & PITTSBURGH COAL CO.

The Board of Directors of Rochester & Pittsburgh Coal Company declared on May 3rd, 1945 a dividend payable out of net profits for the year 1944 of 5% on its Preferred Stock, payable May 15th, 1945 to stockholders of record at the close of business May 8th, 1945.

O'DONNELL ISELIN, *Secretary.*

ROCHESTER & PITTSBURGH COAL CO.

The Board of Directors of Rochester & Pittsburgh Coal Company declared on May 3rd, 1945 a dividend payable out of net profits for the year 1944 of $1.00 per share on its Common Stock, payable May 15th, 1945 to stockholders of record at the close of business May 8th, 1945.

O'DONNELL ISELIN, *Secretary.*

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share on the 4¾% cumulative Preferred capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending June 30, 1945, payable July 2, 1945, to holders of such stock of record on the books of the company at the close of business June 4, 1945.

Common Stock Dividend

THE regular quarterly dividend of Forty Cents (40c) per share on the Common capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending June 30, 1945, payable June 15, 1945, to holders of such stock of record on the books of the company at the close of business May 16, 1945.

H. D. ANDERSON, Secretary.

May 9, 1945.

Atlas Corporation

Dividend No. 35 on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending May 31, 1945, has been declared on the 6% Preferred Stock of Atlas Corporation, payable June 1, 1945, to holders of such stock of record at the close of business May 15, 1945.

WALTER A. PETERSON, *Treasurer*

May 2, 1945.

BUR-MIL QUALITY

Dividend Notice May 3, 1945

BURLINGTON MILLS CORPORATION

The Board of Directors of this Corporation has declared the following regular dividends:

5% CUMULATIVE PREFERRED STOCK
$1.25 per share

COMMON STOCK ($1 par value)
25 cents per share

Each dividend is payable June 1, 1945, to Stockholders of record at the close of business May 15, 1945.

WILLIAM S. COULTER, *Secretary*

CHRYSLER DODGE *Chrysler Corporation* DE SOTO PLYMOUTH

NOW MAKING WAR PRODUCTS

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of seventy-five cents ($.75) per share on the outstanding common stock, payable June 14, 1945, to stockholders of record at the close of business May 19, 1945.

B. E. HUTCHINSON
Chairman, Finance Committee

LANE-WELLS COMPANY

DIVIDEND NOTICE

The board of directors has declared a quarterly dividend of 25 cents per share on the common stock, payable June 15, 1945, to stockholders of record May 23, 1945.

B. G. PETERS, Secretary-Treasurer

SOUTHERN RAILWAY COMPANY
New York, April 24, 1945.

A regular quarterly dividend of Seventy-five Cents (75c.) per share on 1,298,200 shares of Common stock without par value of Southern Railway Company, has today been declared, out of the surplus of net profits of the Company for the fiscal year ended December 31, 1944, payable on Friday, June 15, 1945, to stockholders of record at the close of business Tuesday, May 15, 1945.

Checks in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

J. J. MAHER, *Secretary.*

Dean Madden Points to Possible Legislation to Reduce Bank Profits

(Continued from page 2085)

would obviously prefer to hold cash or excess reserves. The liquidity of the banks, which today rests primarily on Treasury bills and certificates of indebtedness, would be drastically reduced and would depend almost entirely on the ability of the banks to borrow from the Reserve banks or to sell the latter their non-interest-bearing Government obligations.

After a relatively short time a considerable portion of the Government portfolios would consist of non-interest-bearing obligations and bank earnings would decline sharply. Such a development would lead either to the liquidation of a number of banks, particularly smaller institutions which already find it difficult to make ends meet, or to the imposition of heavy service charges, which in turn might cause a drastic reduction in the use of checks and a sharp increase in the use of currency. In order to maintain their earnings, many banks might be compelled to make loans or purchase securities of a quality which might entail substantial losses. Furthermore, singling out of the banks to accept special non-interest-bearing Government obligations would constitute discrimination against these institutions. And once Congress begins to discriminate against one segment of the economy it is impossible to predict where such a policy might lead.

Special Taxation of Banks. A special tax on income from Government securities imposed on the banks alone obviously would be considered discriminatory. If the tax were too burdensome it would lead to the sale of Government obligations by the banks, and this in turn would make it extremely difficult for the Treasury to finance its deficits and to refund and refinance its maturing obligations.

In discussing the question whether an attempt to alleviate the debt burden at the expense of the banks is warranted, the bulletin states: While total earnings of the banks have increased, the ratio of net current earnings to capital accounts has registered only a very small increase and is still 3.2% below the 1929 ratio. The yield obtained on U. S. Government obligations is lower than in any other country. This is indicated by the table showing yields on Government securities of the two leading European neutral countries and of Great Britain, Canada, and the United States. The rate of interest offered by the Treasury was not fixed by the banks or the investors in general but by the Treasury. The latter could reduce the rate by simply offering shorter term maturities.

YIELDS ON GOVERNMENT OBLIGATIONS

Country—	Security	Date	Yield
Sweden	3% Perpetual Loan of 1934	October 1944	3.27
Switzerland	12 Government and Government Railroad issues of maturities of 5 years and over	November 1944	3.34
Great Britain	2½% Consols	November 1944	3.09
	3% due 1954-58	March 1945	2.70
	3 months Treasury bills	March 1945	1-1 1/32
Canada	3% due 1953-56 at 101	March 1945	2.79
United States	2½% due 1956-58	March 1945	1.95
	3 months Treasury bills	March 1945	0.375

The bulletin continues: While the charge of excessive earnings on Government obligations is not warranted, the question may justly be raised whether the banks have not adopted too drastic service-charge schedules. Service charges are justified on accounts which do not compensate the banks for the expense involved. If these charges were based exclusively on costs, the revenue derived from them would be lower than at present. High service charges imposed primarily to provide an income tend to antagonize the customers of the banks and to affect adversely public relations.

It may also be stated that wages and salaries paid by many banks are below the scale maintained by industry and trade in the same locality. A readjustment of the wages and salaries would reduce earnings.

Since earnings of the banks have increased materially, it may be possible, at least for some banks which operate largely with savings deposits, to increase moderately the rate of interest on thrift accounts. During the years when bank earnings were declining, interest rates paid by the banks were reduced and the computation periods lengthened. With the reversal in the trend of bank earnings this problem should be re-examined.

In conclusion the bulletin states: Already a large portion of the public debt is held by the banks of the country. It is certain that this trend will continue, and may even be accelerated, in the immediate post-war period. There is a possibility that in the future the banks may hold more than one-half of the outstanding public debt. In view of the fact that in the post-war period the expenditures of the Federal Government are bound to be substantially higher than ever before in peacetime and that taxes levied by the Government will be considerably higher than prior to 1941, serious efforts will be made to alleviate the debt burden at the expense of the banks or through other unorthodox measures.

By far the largest part of the public debt was incurred for the purpose of fighting the greatest war in which this country has ever been involved. As in other countries, the public debt of the United States has risen tremendously. However, a larger proportion of the public debt in the United States was absorbed by the banks than in the case of some of the other belligerents, notably Great Britain and Canada. This was due mainly to the fact that the amounts received by the Treasury from taxation and from the sale of Government obligations to ultimate investors was not percentage-wise as large in this country as in the other countries. If the people of the United States had bought more Government obligations, the volume of currency in circulation and of bank deposits would have been substantially smaller than it actually is. The fact, therefore, that the banks have acquired such a large volume of Government securities can not be imputed to a deliberate policy on their part, but is rather the unavoidable consequence of the tax policy and even more of the unwillingness of the people to invest a greater proportion of their constantly growing savings in Government obligations.

A public debt does not differ materially from the debt of an individual, the principal difference being that a Government debt need not be repaid since it can be constantly refunded and refinanced. However, as in the case of an individual, a large public debt can be serviced and amortized only through hard work, an increase in production, full employment, and economy on the part of the Government. An effort to alleviate the debt burden at the expense of the banks or through other unorthodox measures is likely to create more problems than it would solve and to result in serious economic consequences.

Savs. and Loan Ass'ns Increase Gov't Holdings

WASHINGTON, May 5—Holdings of Government bonds by savings and loan associations which are insured by the Federal Savings and Loan Insurance Corp. increased by 70% during 1944, William H. Husband, general manager of the corporation, reported today.

He compared the $1,227,000,000 in U. S. securities owned by those institutions at the end of last year with a similar item of $581,200,000 on Dec. 31, 1943.

"With total cash and Government bonds of $1,497,000,000, these associations have materially strengthened their liquidity," Mr. Husband said. "From a ratio of 7.4% at the end of 1941, cash and Government bonds of insured associations increased to 30% of their total resources at the close of 1944. This change necessarily represents a contribution to the financing of the war and, at the same time, a firmer liquidity position in support of investors' accounts which are insured by the FSLIC."

AIB Hawaii Study Groups

For the first time in its 46 years of history, the American Institute of Banking, educational section of the American Bankers Association, will be represented by organized study groups in Hawaii, according to Dr. William A. Irwin, educational director of the Institute.

Two study groups of employees of the Bank of Hawaii have been organized, one with 29 members to meet at Honolulu, and one of ten students at Pearl Harbor. W. W. King, cashier of the Bank of Hawaii, will be chairman of both groups, which will be taught by T. E. Merriam at Honolulu and David L. Austin, Jr. at Pearl Harbor respectively.

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