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Senate Group by 14-4 Vote OK's Bretton Woods

Rejects Various Motions Made by Senator Taft and Others, One of Which Would Have Postponed Further Congressional Action on Agreements Pending International Trade Conference.

WASHINGTON, D. C., July 3—By a vote of 14 to 4 the Senate Banking & Currency Committee today approved the Bretton Woods enabling legislation with a few changes. The four who voted against approval were Robert A. Taft, Eugene D. Millikin, Hugh Butler and John Thomas (Idaho).

Robert A. Taft

Only one change recommended by the American Bankers Association was adopted by the Senate Committee. This change was the insertion in Section 14 of the Bill HR 3314 of the word "armament," so that the bill would provide an expression of opinion by the Congress that the (Continued on page 98)

Index of Regular Features on page 112.

Gold Fallacies

By MELCHIOR PALYI

Monetary Expert Lists the Elementary Fallacies About Gold as (1) That Gold Is Predestined to Fulfill the Monetary Function; (2) That Gold Is Not a Commodity; (3) That Gold Is Like Any Other Commodity; (4) That Its Value Is Independent of Supply and Demand; (5) That Its Value Is Intrinsically Stable and (6) Unstable; (7) That There Is Too Little Gold and (8) That There Is Too Much Gold. Holds U. S. Never Left Gold Standard and That Gold is Just As Basic to a Managed as an Automatic Standard and Therefore All Nations Are Bargaining and Bickering for Gold. Predicts a Higher Gold Price After War.

I.

Year after year, some two million men dig deep into rocks and river-beds in the remote corners of the globe, to bring out ores, the content of which is buried almost as fast as it has been unearthed. The world's annual output of newly mined gold—around 40,000 ounces, selling for well over a billion U. S. dollars—is added year by year to an unproductive hoard that keeps on accumulating. This vast effort of producing something that serves apparently neither to satisfy human needs nor to add to our industrial capacity, goes on unabated, and new mines are prospected incessantly. Gold does not even circulate any more in the form of coins, as it did in the past.

Dr. Melchior Palyi

What is the meaning of this relentless process of treasure-hunting and treasure-hiding? Will it continue further? What of the gold standard? What good does our huge gold reserve of 20 billion dollars do?

We are living in a revolutionary (Continued on page 92)

Managing the Public Debt

By IVAN WRIGHT*

Professor of Economics, Brooklyn College

Writer Holds That the Post-War Outlook Is Clouded by Problems of Servicing the Huge National Debt. Proposes a Plan of Converting Government Bonds Into Irredeemable Annuities Payable for a Fixed Period at a Predetermined Rate of Compound Interest Accumulation. Contends This Would Remove Vast Quantity of Government Bonds From Market and Would Postpone Interest Payments, and, at the Same Time, Would Benefit Insurance Companies, Creditors and Business in General, Because It Would Reduce Defaults on Payments Arising From Retirement and Loss of Employment in Old Age.

Managing the national debt will be domestic problem number one in the post-war years. Failure to manage the Federal debt in such a manner as to avoid a financial crisis will make the attainment of all other objectives leading to post-war stability and prosperity impossible. Historically, inflation is more destructive than war. Deflation will bring on bankruptcy and unemployment. Balanced production and distribution or an equilibrium which will make for full employment under competitive economic conditions would most certainly be undermined by inflation or deflation or a collapse in the price of Government bonds.

Dr. Ivan Wright

The expected large demand for capital, full employment and production will increase interest (Continued on page 85)

High Level Employment

By DAVID B. ROBERTSON*

President, Brotherhood of Locomotive Firemen and Engineers

Labor Executive, Asserting That Government Should Take Control of the Economy Only After All Possibilities Are Exhausted for the People to Care for Their Own Instrumentalities, Holds That a High Level of Employment Requires That the Various Segments of the Economy Must Operate in a Coordinated and Cooperative Manner. Holds Function of Government Is to Stimulate Private Economic and Social Organizations, and Calls for a Single Agency to Inform Public Periodically and Accruately of the Trends and Progress Toward Goal of Full Employment. Warns of Dangers of Both Inflation and Deflation to Workers.

David B. Robertson

The viewpoint and responsibilities of Government for high level employment are sometimes confusing because of the multiple findings of its agencies, and hence, often misunderstood. Government can reflect only the economic and social needs and requirements of the people. It is supported entirely by what the people produce in their varied economic capacities.

The ideal concept of Government, according to the American way of life, is to serve the people; to assist in coordinating their points of view; to bring about orderliness in the economy; to protect the proper relationships between the various (Continued on page 96)

*An address by Mr. Robertson in behalf of the Railway Labor Executives' Association, St. Moritz Hotel, New York City, June 28, 1945.

Bretton Woods, Part of The Peace Program

By HON. CHARLES W. TOBEY*
U. S. Senator from New Hampshire

Maintaining That the Bretton Woods Agreements Are an Essential Part of a Program of Post-War International Cooperation, Senator Tobey Asserts "It Is Unthinkable That We Shall Permit Economic War to Engulf the World." Holds That Although the Bretton Woods Plan Is Not Perfect, the Alternative "To Do Nothing" Is Chaos. Predicts Senate Passage of Measure by a Substantial Majority. Appeals to "Good Sense of the American People."

It was my great privilege to have been one of the U. S. delegation at Bretton Woods. I wish you could have all had the privilege, in that truly beautiful section of my state, where there gathered the delegates from forty-four nations. We lived together for a little over three weeks, as we hammered the Bretton Woods Agreements into shape. There before us was the world in miniature, and not the least valuable feature of the conference was the fellowships which we had with the delegations from all those nations.

Hon. C. W. Tobey

A man would have had to be unusually anti-social not to have been tremendously impressed by these contacts, and even more by the spirit of the delegates themselves, as we entered into negotiations together. I think my colleagues would agree there was an earnest, definite purpose to try and do something helpful to bring order out of chaos, and to help revive a stricken world, through these monetary agreements. And I pay tribute to the statesmanship of Brent Spence and Jesse Wolcott for the splendid way in which they shaped this legislation in the House. Great credit is due them.

Senate Banking and Currency Committee on July 3 approved, with slight amendments, the Bretton Woods enabling legislation. Details on cover page.

*An address by Sen. Tobey before the Business and Industry Committee for Bretton Woods, Inc., Hotel Roosevelt, New York City, June 28, 1945.

(Continued on page 98)

Rudolph ver Mehr & Co. Is Formed in S. F.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Rudolph ver Mehr & Co. has been formed with offices at 354 Pine Street to engage in the securities business. Partners are Rudolph de H. ver Mehr, Jr., formerly with Sutro & Co. and a partner in Manheim, Baker & ver Mehr; and Rudolph de H. ver Mehr, Sr., previously with J. Henry Helser & Co.

Tomorrow's Transportation

By G. METZMAN*
President, New York Central System

Though He Sees a Bright Future for Railroads, Mr. Metzman Bases His Prediction on the Assumption That Competitive Conditions Among Transportation Agencies Will Be Reasonably Equal. Favors Cooperative Carrier Competition and Urges Passage of Bulwinkle Bill "If We Are Going to Have Sound Transportation." Says War Proved That National Safety Requires Strong Railroads and That Unless Other Transportation Agencies Are Subjected to Same Burdens and Are Deprived of Subsidies, the Country Will Suffer an Irreparable Loss.

The Pittsburgh area may well be called the heavy industry capital of America. Here are headquarters of some of the nation's largest industries—in bituminous coal, many branches of the iron and steel industry, also glass, aluminum and many others too numerous to recount.

Gustav Metzman

One cannot think of Pittsburgh industry without thinking of railroad transportation. The two are inseparable partners, each dependent upon the other for the things that make both of them living enterprises. Every year the railroads which serve Pittsburgh carry millions of tons of freight to and from your city. At the same time, railroads are also important customers of your industries. To speak from personal knowledge, we of the New York Central and the Pittsburgh and Lake Erie bought from firms with headquarters here last year millions of dollars' worth of coal, iron and steel articles, and many other products.

Think of Pittsburgh's railroad freight in terms of coal, structural steel, rails, sheets, machin-

(Continued on page 86)

*An address by Mr. Metzman before the Chamber of Commerce of Pittsburgh, Pa., June 28, 1945.

Fallacies of Bretton Woods Proposals

(CORRECTION)

In our issue of June 28, starting on the cover page, we gave the full text of the statement made by Dr. Benjamin Anderson, Professor of Economics at University of California, Los Angeles, before the Senate Committee on Banking and Currency, on June 22 last, relative to the Bretton Woods proposals.

In connection with the article, which appeared under the caption "Fallacies of Bretton Woods Proposals," we find that a mechanical error was made in one sentence appearing in the last column on page 2858. Thus, while this sentence was made to read: "It was fair that Germany should have the gold standard when France and Italy could not have it," it should have appeared as follows: "It was *not* fair that Germany should have the gold standard when France and Italy could not have it."

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The International Monetary Fund

By B. H. BECKHART*

Professor of Banking, Columbia University
Economist, Chase National Bank of New York

Dr. Beckhart, After Explaining 13 Specific Defects of the International Monetary Fund, Asserts That It Offers No Basic Solution for the Monetary Problems of a War-Ridden World. Holds Fund's Automatic Credit Extension Are No Substitute for Solving Fundamental Problems of Relief and Reconstruction, War Debts and Conflicting Commercial Policies. He Proposes, in Lieu of Fund: (1) A World Conference to Eliminate Trade Barriers; (2) Assistance in Solving British Exchange Problems, and (3) A Sound Constructive and Well Integrated U. S. Foreign Lending Policy. Favors the International Bank.

B. H. Beckhart

Students of the subject are agreed that an international credit organization is needed to facilitate discussion of and to promote action respecting international monetary problems. Students are also agreed as to the desirability of genuine exchange stability and of the elimination of exchange controls. The question at issue is whether the proposed International Monetary

*A statement by Dr. Beckhart before the Senate Committee on Banking and Currency, June 22, 1945.

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What's Ahead for the Insurance Companies?

By A. M. SAKOLSKI

Insurance Instructor, City College, New York

Writer Discusses the Chief Problems Facing the Insurance Companies, as (1) the Impact of Possible Inflation and Its Adverse Effects, (2) the Whittling Down of Rates by State Regulating Authorities, (3) the Reduced Earnings on Invested Reserves Because of Prevailing Low Interest Rates, and (4) the Threat of Federal Control Over Insurance That May Lead to Costly Adjustments. Holds These Problems Can Be Successfully Solved, if the Importance of Maintaining Insurance as a profitable Field of Business Enterprise Is Fully Recognized and if Proper Action Is Taken to Assure the Continued Solvency and Financial Strength of Insurance Companies.

Insurance is a business which is generally regarded as highly stable. Some of the oldest of existing business corporations are insurance companies. Their record of dividend payments have been unequaled. They have had a long period of progressive development, and their operations have been built up on thoroughly tested scientific and practical lines. Moreover, they have been subjected for almost a century to the most thoroughgoing and discriminating system of regulation and control that has ever been imposed on any class of private business enterprise. And, taking in view the present situation, they have no problems of reconversion from war to peace, and no changes due to technological improvements or alterations in the demand for their services or threats of competition from other services.

A. M. Sakolski

The business of insurance has been one of uninterrupted growth and expansion. As the incidence of risks to property and persons have become measurable to an ever increasing degree of certainty, because of the development of actuarial science and the records of experience, the field of insurance as a social device for fostering the economic security of the individual and for protection against abnormal and disastrous monetary losses have become so deeply grounded in human society, that any retardation or impairment of insurance functions would mean a disruption of the national economy. Aside from banking, there is no field of business activity which is more essential to the smooth functioning of modern economic organization than insurance.

The Effects of Inflation

Yet, despite all this, insurance as a field of business enterprise faces serious problems in the coming post-war period. Like other lines of economic activity, in which monetary values and credit operations play an important part, insurance, as a business, is adversely affected by currency inflation and abrupt changes in price levels. Time is an element in the insurance contract. The contract, itself is essentially a credit transaction. A change in the value or in the purchasing power of the monetary unit within the duration of the contract results in a distortion of a credit operation. Insurance companies, therefore, are subject to the adverse effects of inflation on the national economy. This was clearly demonstrated by the experience of insurance companies in Europe during the drastic inflation era of the last World War.

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The British Problem And Bretton Woods

By HERBERT M. BRATTER

Writer Gives Views of Experts Regarding Britain's Blocked Sterling Balances and the Means of Their Elimination. Easing of Britain's Exchange Problem in the Transition Period Predicted as Only a First Step and That Chief Problem Will Be to Get the Nation Out of Its Chronic Fundamental Disequilibrium. Reviews Suggestions for Solving Problem on a Short and a Long Term Basis, and Quotes Statements Emphasizing the Importance of Expanded World Trade as Ultimate Solution. Reports Disagreement Among British Regarding Effectiveness of Bretton Woods Proposals in Achieving a Balance of Payments for Britain.

Does the success of Bretton Woods depend on solution of the problem of long-run stability between the pound and the dollar, or is it the other way around? Are Bretton Woods, repeal of the Johnson Act and expansion of the Export-Import Bank not enough? Must there also be post-war lend-lease for Britain? And, if for Britain, for others, too? What will it take to put Britannia back on her feet, at least so that she may stand up as well as she did before the war? And how much more will it take to raise her standard of living above that level, as envisaged in the Beveridge Plan? These are some of the questions which have been opened up by the Senate hearings on the Bretton Woods bill.

Herbert M. Bratter

The testimony of Dr. John H. Williams, Vice-President of the Federal Reserve Bank of New York, bore particularly on the sterling problem. To Dr. Williams, sterling is the key foreign currency, and unless that problem is given a better solution than the Bretton Woods program gives to sterling, the Bretton Woods pro-

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The Over-the-Counter Industry

By C. E. UNTERBERG*

President of the New York Security Dealers Association

Mr. Unterberg Points Out the Essential Differences Between the Security Exchanges and the Over-the-Counter Market and Describes the Extent and Mechanism of the Latter, Which, He Says, Is Regulated and Organized and "Provides Even the Smallest Community With a Home Market." Asserts That the Over-Counter Market Serves a Definite Economic and Social Function and Will Continue to Provide Employment and Facilitate Development of New Products and New Industries.

There are two broad general divisions of the securities markets, that provided by the stock exchanges of the country in securities listed with the exchanges and that which deals in securities not listed on the exchanges. The latter market and the one to which I wish to address myself primarily is commonly known as the over-the-counter market.

C. E. Unterberg

The two types of markets—exchange, and, over-the-counter—deal in the same product, i.e., securities—but from that point there is almost no similarity. The characteristic which chiefly distinguishes them is to be found in the manner in which business is transacted. Stock Exchanges are auction places. They provide the physical surroundings where the buyer and seller meet. The orders to buy or to sell flow more or less automatically to the exchange. When a buy order and a sell order for the same security can be matched, that is, if the price the buyer is willing to pay and the price the seller is willing to accept, are identical, a transaction occurs.

In the over-the-counter market, on the other hand, buyers and sellers literally make markets. Instead of the auction characteristic you have the negotiated transaction. Those engaged in the over-the-counter business recognize no physical confinements for their operations. If a buyer or a seller cannot be found in the immediate vicinity, he is sought out in all likely places through means of a vast communications system, including the mails, private telephone, telegraph wires and teletypes which connect over-the-counter dealers in all parts of the country—one at the other's call in a few minutes time. If a prospect is found, but there is a gap in price, the transaction does not die. An effort is made forthwith to compose the difference in price and make a trade. In other words, over-the-counter dealers merchandise securities, bringing them to the ultimate consumer. The mere existence of a buy order or a sell order is the incentive for the over-the-counter dealer to find the opposite seller or buyer.

What securities are traded off the board? All long-term U. S. Government bonds are listed on the New York Stock Exchange, but trading in that market is insignificant in volume to that in the off-the-board market. Almost without exception, the obligations of States and municipalities are traded off-the-board.

Bank and insurance stocks are traded over-the-counter, as are real estate bonds, railroad equipment trust certificates and most securities traded on a "when-issued" basis.

In addition, many industrial, public utility and rail securities are bought and sold in the over-the-counter market.

It is estimated that there are about 500,000 corporations of all kinds in this country. Eliminating the smallest one-man shops and strictly family-corporate-firms, real estate situations operating as corporations and the like, we come to a working base of about 7,000 corporations each hav-

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*An address by Mr. Unterberg, of C. E. Unterberg & Co., New York City, before the Investors Fairplay League, New York City, June 28, 1945.

What the Investment Business Should Accomplish

By JOSEPH D. GOODMAN*

Member, New York Stock Exchange
Financial Columnist, Forbes Magazine

In Discussing Methods of Securities Marketing, Mr. Goodman Contends Present Commission Rate Structure for Brokers Encourages Malpractices and Recklessness. Lays Down Twelve Items Which Need Correction, Among Which Are Present Restrictions on "Supporting Orders"; the Distinction Made in Regulating Exchange and Over-the-Counter Dealers; and Absence of Designated Capital for Securities Dealers. Advocates Repeal of Short Selling Restrictions, the Enlargement of Exchange Listing and the Requirement That Every Security Dealer Be Member of an Exchange.

A study ought to be made of the subject of the type of securities to be recommended to customers, by partners and salesmen. Very often, too often—securities are recommended by salesmen and partners to types of customers who cannot afford, or do not understand the risk involved. Very often, blocks of stocks are sold to the public, representing a sell-out by the owners of a business not suitable to public investment. Very often, a broker is not interested in selling a specific security to a customer; but, if a "Special Offering," including a special commission, should become available, the broker immediately recommends the same security. This is, admittedly, a difficult problem to solve. The New York Stock Exchange under the able and common-sense leadership of Mr. Schram, has this matter in mind. Of course, the matter of "Special Offering" could be solved by amendments to the Securities Laws, so that more active markets will result. There is no good reason why a large holder of securities should be enabled to sell at a favored price.

*Remarks of Mr. Goodman at the Investors' Fairplay Clinic, Hotel Pennsylvania, New York City, June 28, 1945.

Among the matters which still need attention are the charges made by some concerns for transactions in over-the-counter stocks. This has been a much discussed subject. For instance, when a customer gives to a broker an order to sell or buy 100 shares of an over-the-counter stock, in some cases the broker will send the customer a confirmation in which it is stated that the broker acted as principal and no commission charges are shown. What happens is that the broker makes a sizeable profit on the deal without the customers' knowledge. In reality, in most cases, the broker does not act as principal at all. He only buys the stock for his own account to complete the sale for his customer. It seems to me, if commission charges for over-the-counter transactions are not considered adequate, they should be increased, and apply to everyone in the business. Also, where a broker furnishes investment advisory advice in this connection, he also has the right to make a charge, provided it is agreed to by the customer. But, I do not

(Continued on page 97)

When and How Do Figures Lie?

By ALDEN A. POTTER

In Substantial Agreement With Father Dempsey on Value Analysis and on the Evil of "Forced Saving," Writer Presses Further Into Mathematical Theory of Measurement and Price as a Basis for Moral Judgment of Social Action. Questions "Divine Right" of Statistical and Historical Analyses. Science Held a Revolutionary, Not Evolutionary, Basis for Sound Social Development on the Road to Freedom Now Imperiled by "Scientism."

The Statesman put it this way: "Today we are faced with the pre-eminent fact that, if civilization is to survive, we must cultivate the science of human relationships — the ability of all peoples, of all kinds, to live together and work together, in the same world, at peace."—Franklin D. Roosevelt, in his posthumous Jefferson Day address.

Alden A. Potter

The Social Philosopher put it this way: "Economic theory, whether recognized or not, is a mainspring of political action, and a faulty theory, widely taught, is sure to bear fruit in bad action."—Prof. J. B. Clark, in an article on "Capital and Its Earnings."

The Divine might put it this way: Oh, Lord!

Give us the patience to bear
what cannot be changed;
Give us the courage to change
what can be changed;
Give us the wisdom to know
the difference!
(Anonymous)

The Scientist might offer such wisdom if he would stick to his "guns"—to the principles that make truth into "science".[1]

No Lessons in Political History

If the cure for democracy is more democracy, as DeToqueville remarked, the cure for capitalism is more capitalism, not less; more room for private enterprise, not for substituted, public "investment" with competitive profit and loss eliminated. In the science of **simplifying** human social relations we need better, not fewer, moral standards; and through their use a better development of automatism in competitive cooperation in industry than that which Adam Smith conceived. We need not assume that his was the last word in implementing the profit motive. The cure for social science is more science—more

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Public Utility Securities

Eastern Gas & Fuel Associates

Eastern Gas & Fuel Associates is a $181,000,000 Mellon-controlled hybrid holding company with coal, coke, gas, marine and utility interests, serving principally New England territory. Due to the preponderance of coal mining (contributing over half of system revenues) the company in the 1930's was adversely affected by the increased use of fuel oil, but during the war has made a partial comeback in earnings. In 1938-39 little was earned for the 6% (second) preference stock, but during 1940-44 earnings have averaged nearly $6 a share, and about half that amount has been paid out. However, the company obviously remains over-capitalized, and a recapitalization plan was issued on June 1st. Due to the fact that the company has an interest in Boston Consolidated Gas and Old Colony Gas, it is subject to SEC restrictions as a utility holding company (although utility earnings are but a small part of the total). Hence the new plan must be passed on by the Commission.

There are no arrears on the prior preference stock, but arrears on the 6% preferred amount to some $35 a share; no dividends have been paid on the common stock since 1934. Both classes of preferred are now entitled (jointly) to the same number of votes as the common stock. With little prospects for paying off the arrears, the new plan is designed to recognize the fact that the holders of the 2nd preferred are "in a sense the real owners of a large part of the equity in the Association, and to that extent already in substance common shareholders."

The $55,000,000 1st 4s will be refunded without awaiting consummation of the plan. On June 29th the company registered with the SEC $40,000,000 1st & collateral trust bonds due 1965; a $15,000,000 2⅛% bank loan has also been arranged. The 4½% prior preference stock will remain outstanding but certain changes in its rights will be made. It is proposed to increase the issue's voting power, giving it the right to elect a majority of the trustees if in future there is a year's default in dividends. Holders of the issue would also be permitted to vote on important changes in capitalization, mergers, etc., ratification by a two-thirds vote being required.

The 6% preferred stock (with arrears) will be exchanged for new common in the ratio of five shares of common for one share of preferred. Each share of present common will receive 1/6th of a share of new common. On this basis 85% of the new common will be allocated to the preferred, and 15% to the old common. Intangible assets will be written off in the new consolidated balance sheet, and other adjustments will be made.

The new common will have a par value of $10, but the pro forma balance sheet gives it a book value of nearly $18 a share. The pro forma consolidated income statement does not adjust for the bond refunding or for other proposed changes in the capital structure. Assuming that new 3s could be issued, gross savings would amount to $681,000 a year but some 85% of this would be lost in increased excess profits taxes, so that net savings might approximate $100,000. Assuming post-war income to be maintained around the pro forma 1944 level of $3,500,000 (which was about $650,000 below the 1939-1944 average), adjusted net would approximate $3,600,000. After deducting prior preference dividend requirements, some $2,500,000 would remain for new common stock, or about $1.14 a share.

Normally it might be expected that the stock of a reorganized industrial-utility company might sell as high as 15 times earnings. But in the case of Eastern Gas & Fuel, there may be doubts regarding the future trend after the immediate post-war boom has subsided. The new pipe lines and other factors may stimulate increased competition between oil vs. coal and coke for fuel consumption in New England territory (though on the other hand new economies in coal mining may bolster that industry). Ten times earnings would therefore be a more conservative multiplier, since earnings might drop below the 1944 adjusted level.

However, it would also seem proper to adjust earnings for possible repeal of excess profits taxes. Including some $580,000 estimated increase in taxes resulting from the bond refunding operation, the present excess profits taxes would approximate $2,650,000. Of this amount roughly half or $1,325,000 might be salvaged when Congress passes the hoped-for tax legislation—equivalent to about 60¢ a share on the new stock. It may be of interest to apply the resulting estimated values for the new stock to the old preference stock and common, as follows:

	At 10 Times Est. Earns.	At 15 Times Est. Earns.
Est. Earns. of $1.14:		
Price of new common	$11.40	$17.00
Equiv. price of $6 pref.	57.00	85.50
Equiv. price of old com.	1.90	2.85
Est. Earnings of $1.74 (No E. P. T.):		
Price of new common	17.40	26.10
Equiv. price of $6 pref.	87.00	130.50
Equiv. price of old com.	2.90	4.35

The 4½% prior preference stock is currently selling around 94, the 6% preference around 57 and the common at 2¾.

The Koppers Co. has indicated its intention to dispose of its interest in Eastern Gas & Fuel, to conform to the provisions of the Holding Company Act, within a reasonable time after the recap plan goes into effect.

Additional Views by Members of House Committee on Boren Bill

Chairman Clarence F. Lea and Other Members of House Committee on Interstate and Foreign Commerce Express Opinions Regarding Measure Designed to Establish Beyond Doubt Immunity of State and Municipal Bonds From SEC Control. Congressman Boren to Press for Action on Bill After Scheduled Meeting of Commission With Representatives of Interested Organizations.

We are able to give in this issue another group of exclusive statements furnished the "Chronicle" by members of the House Interestate and Foreign Commerce Committee with reference to the revised Boren Bill, now before the committee. Among them are the comments made by Representative Clarence F. Lea, Chairman of the committee. It may be observed that in our columns of June 14, page 2606, we published the initial group of views expressed by various members of the committee regarding the legislation, which is intended to establish beyond dispute the immunity of transactions in State and municipal bonds from control of the SEC. The issue of June 14 also contained (on page 2629) the text of the measure introduced by Congressman Lyle Boren of Oklahoma.

Clarence F. Lea

Mr. Boren incidentally has informed the "Chronicle" (see June 28 issue, page 2847) of his intention to press for action on his measure immediately following scheduled meeting in Philadelphia on July 10 between the SEC and various organizations actively concerned with the legislation. Among those scheduled to be represented at this meeting are the Investment Bankers Association of America and the National Security Traders Association. In addition, David M. Wood of the New York municipal law firm of Wood, Hoffman, King & Dawson, and Sanders Shanks Jr., President of the Municipal Bond Club of New York, are expected to be in attendance.

The additional comments previously referred to are given herewith and, with the exception of Representative Fadjo Cravens of Arkansas, all of the contributors are members of the House Committee on Interstate and Foreign Commerce:

Rep. CLARENCE F. LEA
California
Chairman House Interstate and Foreign Commerce Committee

I was interested in the question from the standpoint as to whether or not the law was placing any unnecessary hardships on the financing of municipal activities. We have no desire to break down the securities-regulating system, but I would be interested in remedying any unnecessary handicap to legitimate dealing in municipal securities.

Rep. ROBERT CROSSER
Ohio

Robert Crosser

I think the industry should be able to adjust its views to what the SEC thinks is required for a fair assurance of the necessary protection of investors in State and municipal bonds. But I do not feel like commenting on the pending bill, until it is in its final form.

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Tomorrow's Markets Walter Whyte Says—

Sudden market collapse shows value of stops, even though stops are not a cure-all. Despite reaction holders are still in black.

By WALTER WHYTE

For more than a month this column has run the gamut from caution to outright bearishness. During that period the rails managed to advance to new highs, a number of industrials climbed up, and even the market's step-children, the utilities, came in for a paternal pat on the head. Watching them go up, almost daily, wasn't easy.

* * *

Two weeks ago the column detected what looked like an early attempt to get the industrials to emulate the carriers. Taking a long breath this column decided to throw caution to the winds and go long of an entire new list of stocks. It wasn't a comfortable position to take. I fore-

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Vinson Considering Capital Gains Taxes

WASHINGTON, D. C., July 3—Both Judge Fred M. Vinson of the Office of War Mobilization and Reconversion, and Budget Director Harold D. Smith, are now pondering recommendations of Stabilization Director William H. Davis designed to check speculation in capital assets. A recent report that the OES recommendations include raising the tax on capital gains from its present level of 25% is erroneous, the "Chronicle" is informed. No such provision is included in the Davis report to Vinson.

Fred M. Vinson

If and when the recommendations are officially made public, this is expected to be done through a Presidential message to Congress. Action by Congress to lengthen the definition of "short-term" for the purpose of taxing capital gains would take some time. At present the House is well "cleaned up" on bills of importance, and there are persistent reports of an early House recess this week or next. All tax legislation must originate in the House.

If a Presidential recommendation is made along the lines of the OES report, as discussed recently in the "Chronicle," the Federal Reserve Board will be in a position to increase margin requirements and tighten other uses of credit under its existing powers, without any further legislation.

Real Estate Securities

BROADWAY TRINITY PLACE CORPORATION
Earns 3% Interest and Has Sinking Fund of $61,661.86 For Year Ended April 30, 1945

The property owned by the Broadway Trinity Place Corporation, consists of a 38 story office building completed in 1928, located at 39 Broadway, New York City, containing 330,000 square feet of rentable area, situated on fee owned land comprising 17,150 square feet with a frontage of 89 feet on Broadway and extending back about 190 feet to Trinity Place. The 1944-45 assessed valuation is $4,950,000. Present occupancy is approximately 96% with an annual rent roll of approximately $600,000.

It was reorganized as of Dec. 31, 1943, at which time former first mortgage bond holders received new bonds on a par for par basis and 100% of the equity stock.

Indenture terms of the new bonds provide that:

Subject to the maintenance of a working capital fund of $40,000 and a reserve for taxes available net income for each fiscal year ended April 30th is applied

(1) To payment of cumulative interest at rate of 3% per annum.

(2) To payment of a maximum of $75,000 into a sinking fund, operated semi-annually.

(3) To payment of additional 1½% non-cumulative interest.

(4) Any remaining income to be paid to sinking fund until issue has been reduced to $2,000,000, thereafter ½ to sinking fund and ½ for dividends.

Statement of available net income for the year ended April 30, 1945 is summarized as follows:

Gross cash receipts	$653,153.57
Expenses, taxes, etc.	443,468.18
Avail. for int., etc.	$209,685.39
Interest paid at 3%	136,785.00
Balance	$72,900.39
To reserve for working capital	11,238.53
Bal. or sinking fund	$61,661.86

Purcell Re-elected Chairman of SEC

Ganson Purcell has been re-elected chairman by the Securities and Exchange Commission. Mr. Purcell became chairman in January 1942 to fill the unexpired term of the late Edward C. Eicher. He was elected for a full term the following June and re-elected in 1943 and 1944.

Ganson Purcell

The International Fund And Exchange Restrictions

By HAROLD J. ROIG*
Vice-President of W. R. Grace & Co.

Trading Company Executive Points Out That the Objectives of the International Monetary Fund to Promote International Trade Will Not Be Attained Because the Fund Has No Power During First Five Years to Deal With Exchange Restrictions. Holds World Trade Cannot Wait for Relief and Tells of Restrictive Effects of "Blocked Exchange" in the Sterling Area. Says a Flourishing American Export Trade and Large Merchant Marine Are Essential to Post-War Full Employment and Urges That Plan Be Amended to Give Immediate Power to Eliminate Exchange Controls.

My approach to the Bretton Woods Proposals is not that of a monetary or economic expert but simply that of a business man engaged for the past thirty years in international merchandising industry, banking and transportation. I view the monetary provisions of the Bretton Woods Plan simply as means to an end. That end is to reestablish and facilitate the movement of international trade. The means are to be judged by the effectiveness with which they promote that end.

Harold J. Roig

With a lifetime spent in international business, I am, of course, vitally interested and concerned and thoroughly in sympathy with any measures intended to promote international cooperation and calculated to attain the stated objectives of the Monetary Fund.

The single point I wish to make is this:—The repeatedly stated objective of the Fund is the promotion of international trade by the elimination of practices in regard to international money which tend to restrict and control international trade. Yet the Plan, in its present form, does not deal realistically and effectively with this problem because it provides no necessary relationship between the use of the Fund's resources and the elimination of restrictions to international trade movement, and it gives the Fund no power during the first five years of its operation, the Transitional Period, to deal with exchange restrictions at all.

The first two stated purposes of the Fund ("Article I," "(i)" and "(ii)" are "to promote international monetary cooperation" and "to facilitate the expansion and balanced growth of international trade." These objectives are to be attained through consultation, collaboration, exchange stabilization and elimination of foreign exchange restrictions. To accomplish these purposes a Fund is

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*A statement by Mr. Roig before the Senate Committee on Banking and Currency, June 25, 1945.

The Status of Cartels In Post-War Europe

By DR. BEN W. LEWIS*
Professor of Economics, Oberlin College
Formerly Chief of Cartel Section, Foreign Economic Administration

Holding That Cartels Are Destructive of Free Trade and Economic Progress, and That They Are Constantly Shifting in Their Nature and Effects, Professor Lewis Analyses Our Own and the British Attitude Toward These Organizations. Holds There Will Be Serious Post-War Cartel Problems, and Advocates a Firm Attitude by the United States Against Them in Our International Negotiations. Says Cartels Are Not Only Native to Germany, but Are Also Imbedded in That Nation's Economy, and Have Been Used as a Means of Political and Economic Aggression. Urges That the Allied Military Government Root Out German Cartels and That an "Open Door" Be Given to German Patents.

Our concern tonight, as it has been throughout this series, is with American policy toward international cartels. It probably goes without saying, however, that a complete discussion of this subject requires that some special attention be given to the "international" as well as to the "cartel" aspect of the problem. Programs of American action that involve acceptance of, or participation in international cartels or in conventions against international cartels, or that call for unilateral attacks, direct or indirect, upon international cartels, or that envisage any combinations or shades or degrees of any such actions, must certainly be conditioned by, and will in turn just as surely affect the status of cartels in Post-War Europe—their principal breeding ground. I take it that it is my particular job to consider with you, against a background of European attitude and practice, the kind of reception which we may expect to be accorded by Europe to various American proposals, and what results may be expected

Dr. Ben W. Lewis

*An address by Professor Lewis at Fayerweather Hall, Columbia University, New York City, April 11, 1945.

(Continued on page 102)

Insuring Against Communism

Roger W. Babson Talks to Returning Servicemen

BABSON PARK, Mass.—It is generally agreed that there will be a few years of excellent business in the United States following the collapse of Japan. Perhaps certain sections that have tremendously over-expanded during the War will have slumps and this applies to certain war industries.

Future Business Outlook

The great majority of communities and industries, however, are headed for real prosperity so long as the people have money to spend. Remember that where we had only $7 billion in our pockets and cash drawers six years ago we have $27 billion at the present time which we are holding to spend or invest as soon as a fair opportunity arrives.

Roger W. Babson

How long will it take for our people to spend this money and what will happen afterwards? Most economists are agreed that we should be prepared for trouble any time after 1950. As to what form this trouble takes depends largely upon the success or failure of the Russian Communist experiment. If, after 1950, Russia, with the rest of the world, suffers from unemployment, we have not much to fear. If, however, when we next have 15,000,000 unemployed, walking the streets, Russia and the Communistic countries should have no unemployment, then we may see a civil war here.

Large Cities vs. Small Cities

Those returning servicemen who fear this possibility should seriously consider where to locate after coming back to this country. They should avoid necessarily returning to their own communities if other communities offer better opportunities and safer conditions. Here again I want every man to decide the question for himself, but I believe that the small cities are far safer in the long run than the large cities. When starting my statistical business, which is now one of the largest of its kind in the world, I selected Wellesley, Massachusetts, a town of only about 5,000 people.

The question, however, naturally arises in the minds of servicemen "what am I going to do if I go to a small community?" Anticipating this inquiry, I am prepared to give the following answers. These are industries which

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Additional Views by Members of House Committee on Boren Bill

(Continued from page 70)

Rep. DWIGHT L. ROGERS
Florida

The purpose and intent of the Boren Bill is good and constructive. Insofar as it deals with exempted securities, I think it is fundamentally correct. On the score of State sovereignty I hold that State and municipal securities should be exempt from regulation by the SEC. I am not against the SEC in general, and I think it has done a necessary and constructive piece of work and saved the public millions of dollars.


Dwight L. Rogers

Rep. RICHARD F. HARLESS
Arizona

It is my belief that Municipalities and States should have full control of their finances, entirely independent of the Federal Government.


Richard F. Harless

Rep. ALFRED L. BULWINKLE
North Carolina

I regret that I cannot comment on the bill at its present stage. (In February, at the time of the hearing on the bill, Mr. Bulwinkle, in reply to a request by the "Chronicle" for comment on the bill, cited the late Samuel Insull as a reason why there should be protection of investors in municipals.—Editor.)


A. L. Bullwinkle

Rep. GEORGE G. SADOWSKI
Michigan

I have not made a decision yet as to the Boren Bill. I want first to see what amendments will yet be offered. I do not want to cripple the SEC, which has done a splendid job.


George G. Sadowski

Rep. FADJO CRAVENS
Arkansas

I do not think that the original act was intended to cover bond issues of States and their political subdivisions, and the purpose of the Boren Bill is to make this perfectly clear.


Fadjo Cravens

Rep. CHARLES A. WOLVERTON
New Jersey

I am in favor of the purposes sought by the Boren Bill. I do not think that rules and regulations should be adopted by the SEC which are not in full accord with the intent of Congress as expressed in the act. I was one of the original drafters of the SEC legislation. I am strongly in favor of legislation that seeks to prevent fraud on the investors, but I am not convinced that there has been fraud of such a character, in connection with the issuance and sale of municipal bonds, as to warrant some of the rules and regulations that have been adopted or contemplated. It seems to me they go beyond what is necessary to protect the public and they have the effect of curtailing the issuance and sale of such securities.

As we go into the post-war period when public works will be an important part of maintaining employment, we must be careful that we do not handicap Municipalities and States in the issuance of securities that will make such public works possible.

As a result of the evidence presented by witnesses during the committee hearings on the Boren Bill, I became convinced that it might be possible to effect the purposes without the adoption of any new or additional law, provided the SEC would confine its rules and regulations to what I believe had been the clear intent of Congress, when it passed the original act to protect investors. I therefore interested myself to the extent of suggesting and pressing for a conference between all parties in interest, including representatives of the SEC.

The SEC expressed its willingness to do so. I understand that recently the proponents of the pending legislation likewise consented. I am hopeful that good results can be attained by this "across the table" discussion. In the event that it should fail, then it must necessarily become a matter of legislative action by Congress.

Rep. R. CARROLL REECE
Tennessee

Municipals should be exempted from SEC jurisdiction and I am hopeful that the Boren Bill will be passed at an early date. The Municipalities have the same interest as the Federal Government in preventing fraud. I think they can be relied upon to see that the public is not imposed upon, although I see no objection to the SEC retaining jurisdiction over fraud as now defined.


Carroll Reece

I think that all security issues of up to \$500,000 or \$1,000,000 should be exempt from registration. The expense and difficulty encountered by small issues is a decided deterrent to economic activity.

Rep. JOHN B. SULLIVAN
Missouri

The Boren Bill is still pending before the committee, there will shortly be a conference of the SEC and interested groups, and therefore, for the present, I would rather not comment on the matter.


John B. Sullivan

Rep. PEHR G. HOLMES
Massachusetts

"I am strongly in favor of this bill and will do what I can to help its passage. I hope we can expedite enactment, so that the measure will be in effect as soon as possible."


Peter G. Holmes

Editor's Note—Rep. John W. Murphy, of Pennsylvania, who is also a member of the House Interstate and Foreign Commerce Committee, has informed the "Chronicle's" correspondent that he is opposed to the Boren bill and will work for its defeat.

Fahnestock Opens New Branch in Danbury

Fahnestock & Co., members of the New York Stock Exchange, announce the opening of a new branch office at 234 Main Street, Danbury, Conn., with Hugh F. Murphy and Louis Oetjen as co-managers. The firm now has five branches in Connecticut, the others being located in New Haven, Torrington, Waterbury and Hartford.

Bruce C. Hoblitzell To Open Own Firm

Bruce C. Hoblitzell is forming Bruce C. Hoblitzell & Co. to engage in an investment business. Mr. Hoblitzell has recently been associated with Stroud & Co., Inc., as trader; prior thereto he was with Dunne & Co. for a number of years.

Arthur J. Spragg Joins Roth & Company Staff

ALLENTOWN, PA.—Roth and Company, 818 Hamilton Street, announces the association with them of Arthur J. Spragg. For the past five years Mr. Spragg has been Chief Investigator for the Pennsylvania Securities Commission and formerly was associated with several investment firms in Philadelphia.

Predicts Rapid Television Progress

John Ballantyne, President of Philco, on June 30 made the following comment on the Federal Communications Commission decision as regards television and frequency modulation:

"Today's decision by the Federal Communications Commission gives the green light to both television and frequency modulation radio just as soon as war conditions permit.

John Ballantyne

"It is now a fact that television will go ahead rapidly on a commercial basis. Hundreds of new stations will be erected in the next five years. High-quality receiving sets will be made available at moderate cost so that everyone within the range of a transmitter can share in the marvels of this great new art.

"All the evidence now at hand indicates that television will progress rapidly to become one of the nation's important industries in the post-war years. Television is going to provide a new, exciting service for the public, so that people can see as well as listen to the great news events and the best entertainment in their own homes. It will create countless new jobs in research, engineering, production, sales, service and program creation.

"The Commission's decision also establishes frequency modulation radio on a high-quality basis that will provide interference-free service for the public and over the years lead to its fullest possible development.

"The Commission is to be congratulated on the careful, studious way in which it has investigated the whole allocations problem and by its decision opened the door to the progress that the days ahead are sure to bring. The action of the Commission brings much nearer the time when the radio industry can resume civilian production of both FM receivers and television sets by definitely establishing the frequency allocations for both services."

Carr F. Pross Joins Staff of Shields Co.

Shields & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announced that Carr F. Pross has become associated with them in their investment management department. For a period of eight years prior to 1942, Mr. Pross was vice-president of Vance, Chapin & Co., Inc., investment managers. During the last three years he has been a liaison officer for the Lend Lease Administration and a contract renegotiator for the Army Air Forces.

Dealer-Broker Investment Recommendations and Literature

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

Canadian Common Stocks—A pamphlet briefly describing 100 Canadian industrial and public utility companies—Dominion Securities Corp., 40 Exchange Place, New York 5, N. Y.

How to See for Yourself Which Stocks Are Over-Valued and Which Undervalued at Present Time—The Value Line Investment Survey — one month's trial subscription, $5 — Arnold Bernhard Company, 350 Madison Avenue, New York 17, N. Y.

Investment Companies — 1945 Edition — fully revised fifth annual edition of textbook and analytical guide on investment companies—$10.00 per copy—Arthur Wiesenberger & Company, 61 Broadway, New York 6, N. Y.

Monthly Stock and Bond Summaries—May be had at a cost of $12 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.

Philadelphia Bonds — complete mid-year appraisal of all outstanding City of Philadelphia and Philadelphia School District issues — Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

Prospects of Inflation by J. Austin White — complimentary copies of reprints of Mr. White's article published in "The Commercial & Financial Chronicle" of May 31, 1945, may be had upon request to J. A. White & Company, Union Central Building, Cincinnati 2, Ohio.

Stock Market Comment — current outlook—also memo on automobile reconversion outlook—H. Hentz & C., 60 Beaver Street, New York 4, N. Y.

All American Aviation Inc.—discussion of interesting possibilities of the company which picks up mail and cargo without necessity of air fields for operation—G. L. Ohrstrom & Co., 40 Wall Street, New York 5, N. Y.

Amalgamated Sugar—Late analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

Also available is a current study of **Utah-Idaho Sugar.**

Ampco Metals, Inc. — Current bulletin—**Sills, Minton & Co., Inc.**, 209 South La Salle Street, Chicago 4, Ill.

Also available is a report on **Maryland Casualty Co.**

Art Metal Construction Co., Inc. —discussion of attractive postwar prospects—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available is a report on **Wilcox Gay Corporation.**

Boston & Maine Railroad—discussion of situation considered attractive by B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, 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.

Boston Wharf Co.—Descriptive circular—**du Pont, Homsey Co.**, Shawmut Bank Building, Boston 9, Mass.

Canadian Pacific Railway Company — Post-war outlook—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Central Surety & Insurance Corporation—statistical memorandum — Mackubin, Legg & Company, 22 Light Street, Baltimore 3, Md.

Also available are memoranda on **Employers Reinsurance Corporation, Globe & Republic Insurance Company, Great American Insurance Company, Homestead Fire Insurance Company, Merchants & Manufacturers Insurance Company, New Hampshire Fire Insurance Company, New York Fire Insurance Company, Paul Revere Fire Insurance Company.**

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Central Iron & Steel, Kingan & Co.** and **Riverside Cement.**

The Cross Company—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Also available a memorandum on **San Carlos Milling Co., Ltd.**, including a reprint of an article on prospects for those desiring an interesting speculative situation.

Dunning Color — Descriptive circular—J. F. Reilly & Co., 111 Broadway, New York 6, N. Y.

Elk Horn Coal Corporation and **Lawrence Portland Cement Co.**—Report on attractive possibilities for price appreciation in these two industrials—Morris Cohon & Co., 42 Broadway, New York 4, N. Y.

Fort Dodge, Des Moines & Southern Railway Company — One-page analysis — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

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

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Dealer-Broker Investment Recommendations and Literature

(Continued from page 74)

Guaranty Trust Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Jonas & Naumburg Corporation — discussion of appreciation possibilities—Syle and Company, 19 Rector Street, New York 6, N. Y.

Kingan Company — Descriptive circular—C. E. de Willers & Co., 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

Laclede - Christy Company — Memorandum available — Herzog & Co., 170 Broadway, New York 7, N. Y.

Lipe Rollway Corporation—Circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

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

Midland Realization and Midland Utilities Common—Memorandum—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Midland Utilities and Midland Realization Company—discussion, estimating values and treating specifically with ideas on liquidation of Midland Utilities—Copies of this memorandum (M-3) available with dealer imprint at a nominal cost — reasonable quantities may be had without charge or obligation—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available are brochures and statistical information for dealers on **Garrett Corporation and Magnavox Company.**

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

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

New York Curb Exchange Common Stocks With Long Dividend Records—Tabulated list—Herbert E. Stern & Co., 30 Pine Street, New York 5, N. Y.

Noranda Mines Limited — detailed study of issues considered a "blue chip" in the mining group — Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Pittsburgh & Lake Erie Railroad Co.—memo on earnings outlook — Bennett, Spanier & Co., 105 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.

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.

Also an analysis of **Mississippi Glass Co.**

Purolator Products, Inc.—Study of outlook and possibilities—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Great American Industries; Electrolux; Brockway Motors; Scovill Mfg.; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Southeastern Corp.; Detroit Harvester; Bowser, Inc.; Mohawk Rubber Co.; TACA Airways; American Window Glass.

Reynolds Metals Company—analysis—Mallory, Adee & Co., 120 Broadway, New York 5, N. Y.

St. Lawrence & Adirondack Railway — circular — Adams & Peck, 63 Wall 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.

Thermatomic Carbon Co.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **American Bantam Car** and a new analysis of **Panama Coca-Cola.**

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

Also available is a circular on **Fashion Park, Inc.**

Western Light & Telephone—Descriptive memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Gruen Watch** and **United Printers.**

York Corrugating Corp.—Memo on current situation—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

First Securities Co. In New Location

CHICAGO, ILL.—First Securities Company of Chicago, members Chicago Stock Exchange, announce the removal of its offices from 105 So. La Salle Street to 134 So. La Salle Street; telephone and teletype numbers will remain the same. The firm also announces the installation of a direct private wire to Reynolds & Co., New York City.

NSTA Notes

NATIONAL ASSOCIATION OF SECURITY DEALERS

Edward E Parsons, Jr., President of the National Security Traders Association, Inc., announces the appointment of a Nominating

D. Frederick Barton

Josef C. Phillips

E. G. Longwell

Committee for the selection of a slate for the ensuing year. Those appointed are:

D. Frederick Barton, Eastman, Dillon & Co., New York.
Elmer G. Longwell, Boettcher & Co., Denver, Colo.
James W. Means, Trust Co. of Georgia, Atlanta, Ga.
Joseph G. Peterson (Chairman), Eckhardt-Peterson & Co., St. Louis, Mo.
Josef C. Phillips, Pacific Northwest Co., Seattle, Wash.

The NSTA annual meeting will be held Aug. 28-30 at the Grand Hotel, Mackinac Island, Mich.

NSTA ADVERTISING NOTES

The advertising committee of the National Security Traders Association is happy to report to the members that there is over $3,000 gross for the 1945 campaign.

Baltimore, Florida, Memphis, Atlanta, Nashville, Detroit, Louisville, Cleveland, New Orleans, Dallas, St. Louis, and Minneapolis have made a very good start, with only half scattered returns from the larger cities.

The committee feels the associations should do much better than last year, and wishes to impress upon the members the necessity of getting in contracts at an early date.

K.I.M. the committee is most anxious to receive new ideas for the securing of new contracts and towards increasing the space on the older ones.

Calendar of Coming Events

August 24, 1945—Cleveland Security Traders Association annual summer meeting at Manakiki Country Club.

August 28, 29 & 30, 1945—National Security Traders Association, Inc. annual business meeting and election of officers.

Rubert Chrest Rejoins Central Republic Staff

CHICAGO, ILL. — Rubert W. Chrest has rejoined the staff of Central Republic Company, 209 South La Salle Street. Mr. Chrest, who has recently been in industry, was formerly with Central Republic Company and prior thereto was President of Chrest & Co., Inc., of Minneapolis.

Pennsylvania Brevities

Dealers Unperturbed by Market "Shake Out"

Last week's sharp reaction in the securities markets sent thousands of excited investors to their brokers and dealers, asking "Is this it? Is the bull market over? Hadn't I better sell everything?"

For the most part, Pennsylvania dealers prescribed confidence and faith and a bottle of salt tablets to relieve the ravages of excessive perspiration. Typical comments were:

"**Fundamentals haven't changed overnight. Neither do we believe that the market is forecasting some dire and as yet unforeseen event. The technical 'corrections' of an over-bought or over-sold market need be of no concern to the investor who buys high-grade securities for security and income or to the more speculative type of investor who buys sound values at a discount.**"

Another: "Peace scares, including the bugaboos of reconversion problems, cut-backs, cancellations and widespread unemployment to follow will, from time to time, touch off waves of selling. If these reactions serve to discourage or eliminate the shoestring speculator, so much the better. The market doesn't need him or want him. Most thinking persons realize that the economic dislocations which followed the end of the war in 1918 are not in point today. The continuation of the war against Japan provides an indefinite period for gradual and orderly adjustment. The final return to peace-time production may scarcely bring a ripple, except, perhaps, to stimulate further the buying of civilian goods which, by that time, will be in substantial availability."

A third: 'Government orders for war goods will, of course, be subject to constant and unpredictable revision until Japan is defeated. The period of reconversion will bring uncertainties and irregularities in earnings. To offset these, we have the carry-back provisions of excess profits taxes and the very real prospect of a downward revision of tax schedules. **Perhaps the most fundamentally bullish factor is that dreamers and theorists are rapidly being eliminated from our political economy.**"

Corporation Notes

Pennsylvania Telephone Corp. has filed a registration statement with the SEC covering $5,500,000 1st 2⅞s, due 1975, and 72,292 shares of $2.10 no par preferred. Paine, Webber, Jackson & Curtis and Stone and Webster & Blodget are named as underwriters.

Proposed sale by United Gas Improvement Co. for $1,100,000, of its holdings in Nashville Gas & Heating Co. has been exempted from competitive bidding requirements. Tennessee Natural Gas Lines is the purchaser.

Sale of Pennsylvania Electric Co.'s natural gas properties serving Johnstown to Peoples Natural Gas Co., for $1,194,825, has been approved by SEC.

SEC has approved purchase by Pennroad Corp. of 59,400 shares Wheeling & Lake Erie Rwy. common for $4,365,900, thus clearing the way for Pittsburgh & West Virginia Rwy.'s program of debt reduction.

On July 30, Bethlehem Steel Corp. will retire its entire outstanding Series F 3¼s at 105.

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Trailmobile Co. Preferred Offered by Hutton & Co.

Offering of 40,000 shares of $2.25 cumulative convertible preferred stock ($50 par) of The Trailmobile Co. was made July 2 by a banking group headed by W. E. Hutton & Co. The stock is priced to the public at $50 per share, plus accrued dividends. Other members of the underwriting group are Paul H. Davis & Co., Bacon, Whipple & Co., Reinholdt & Gardner, and Newhard, Cook & Co.

The company was incorporated in 1928 under the name of The Trailer Co. of America and is the outgrowth of businesses founded in 1840. It is the second largest manufacturer of truck-trailers in the United States. During the war period the company's trailers had been used by all branches of the armed services and it has received the Army-Navy "E" three times. Following the war the company intends to continue to manufacture, assemble, sell and distribute truck-trailers and semi-trailers, truck-trailer bodies, dollies, truck bodies and cabs for tractors and trucks. Plants are located at Cincinnati, Ohio, Charlotte, North Carolina and at Berkeley, California with branches in 32 states.

Of the net proceeds to be received from the sale of this stock, $395,325 will be used to redeem the presently outstanding 7% cumulative preferred stock, and the balance will be used to acquire additional facilities and for working capital.

Pennsylvania Municipals

Practically a new law was written and enacted by the last session of the Pennsylvania Legislature regulating the creation of Authorities and the issuance of Authority Bonds.

There is no doubt that a stricter law was much needed. Both the recipient of the utility service and the holder of the bonds are now much better protected. The most important of the new requirements, and this was also first passed in 1943, is that if the property is privately held, and acquired by the Authority, either by the purchase of the physical assets or the stock, a "Certificate of Public Convenience," issued by the Public Utility Commission of the Commonwealth of Pennsylvania is required. If a municipality owns a water or sewer system and creates is own Authority, it may sell the system to the Authority without such a Certificate.


Edward W. Kling

The Public Utility Commission is an august and learned body of men. They demand every detail and rightly so, and probe it to the utmost. They are long on caution and short on speed. When an Authority is contemplated, it is always with the thought in mind that the Certificate will not be forthcoming for at least six months, and probably longer.

In a market such as we have had for the last few years and are presently enjoying, this delay is serious, but mostly from the angle of inconvenience. In an uncertain or falling market, its seriousness would be greatly enhanced.

Sewage Disposal Plants

During the last session of the Legislature an Anti-Stream Pollution Law was passed which will make it mandatory, as soon as materials are available, for many municipalities to construct sewage disposal plants. A great proportion will be done by the creation of Sewer Authorities. This will for a time at least greatly increase the number of probable and actual Authorities. It can readily be seen that with an unusually large supply overhanging the market, the above mentioned delay would be very serious indeed. It might be that to expedite matters, certain members of the Commission would give their full time to Authorities, when necessary. In any case, something should be done to eliminate present and prospective delay.

Another thing which is unfortunate and will be hard to work out is that the legal, engineering, accounting and other expenses are practically the same on the creation of an Authority, whether large or small. It is easy to visualize a case where with complicated details, the cost of setting up a small Authority might be considerably greater than setting up a large one. The only answer under present conditions, as we see it, is for the various experts to use the Doctor's system of the "ability to pay."

One thing which is sadly lacking is that gas and electric properties are not included in the Act. It is so advantageous to the taxpayer and utility user that an actual day of reckoning be put on the debt that these should definitely be added in the not too distant future.

By and large the law is a good one and one which will be beneficial to the utility user, the taxpayer and last but not least, the investor.

Business Man's Bookshelf

Investment Companies — 1945 Edition—fully revised and comprehensive text and analytical guide — Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.—$10.00.

106 Retirement Plans—Survey of 106 most recent pension plans showing trend of employer thinking—Bankers Trust Company, 16 Wall Street, New York 5, N. Y.—paper—available on request to the Pension Trust Department.

Prospects of Inflation—J. Austin White — Reprints of Mr. White's article in the "Commercial & Financial Chronicle" of May 31, 1945—available on request from J. A. White & Company, Union Central Building, Cincinnati 2, Ohio.

Guide to United Nations and Allied Agencies—United Nations Information Office, 610 Fifth Avenue, New York 20, New York—paper.

Money and the Post-War World—The story of the United Nations Monetary and Financial Conference—United Nations Information Office, 610 Fifth Avenue, New York 20, N. Y.—paper—10¢.

Towards Freedom in the Air—The story of the International Civil Aviation Conference—United Nations Information Office, 610 Fifth Avenue, New York 20, N. Y.—paper—10¢.

War and Peace Aims—Extracts from statements of United Nations Leaders (special supplement No. 5 to the United Nations Review)—United Nations Information Office, 610 Fifth Avenue, New York 20, N. Y.—paper—50¢.

Toledo Bond Club to Hold Golf Outing

TOLEDO, OHIO — The Bond Club of Toledo will hold its Eleventh Annual Golf Outing at the Inverness Country Club on Friday, July 20, 1945, to which guests are being invited.

Sees Dangers in Low Interest Rates

National City Bank Holds It Might Tend to Divert Money Into Speculative Investments and Promote Inflation.

The July Monthly Bank Letter of the National City Bank of New York discusses, among other current topics, the nature and the effects of the decline in interest rates. Referring to the Treasury's policy of restricting Government bond purchases of commercial banks to the very short-term and the long-term marketable issues, the letter comments:

"The market for outstanding government securities has continued to reflect the flow of commercial bank funds into the longer-term higher-yielding issues. While this tendency stems basically from a growing confidence among investors generally that they can't be hurt reaching out into the longer maturities, as recorded at some length in the March issue of this Letter and again more briefly a month ago, it has received added stimulus since the announcement of the terms and conditions of the 7th War Loan. These greatly restricted the volume of intermediate and long-term securities available to banks, either on subscription or by purchase in the market. Not only were the commercial banks again—as in the 6th War Loan—excluded from subscribing any portion of their commercial deposits, but even their already limited right to participate in proportion to savings deposits was further restricted by excluding the marketable 2¼s and 2½s, thus leaving available to banks only F and G savings bonds, ⅞% certificates, and 1½% bonds—and even these in amounts limited, as before, to 10 per cent of savings deposits or at the maximum $500,000.

"With these restrictions upon subscription to new issues, banks seeking an outlet for their funds have been forced to turn to issues already traded in the market. At the same time, the supply of bonds coming on the market from secondary sources, particularly institutional investors, has been cut down by the Treasury request not to sell existing issues in connection with war loan subscriptions except for "normal portfolio adjustments," and by the limiting of subscriptions to the new 1½% bonds to individuals (except for the small amounts permitted against savings deposits in commercial banks).

"The banks, in consequence, anticipating a scarcity in the floating supply of the intermediate maturities needed to sustain earning power, have sought to build up their portfolios out of existing issues available in the market. While Treasury securities of short maturity have been relatively neglected, and prices (except for bills which are pegged by the Federal Reserve Banks) have tended at times to sag, intermediate and longer maturities eligible for bank investment have been in heavy demand, with some banks reaching all the way out to the 2½s of 1967-72 and forcing that issue to a 2.19% basis. These declines along the greater part of the yield curve in the bank eligible list raise a question as to their ultimate effect, if continued, upon the entire structure of interest rates."

Analyzing the effects of the Treasury's policy on non-banking investment policies, the monthly letter states that "while thus far the yields of long-term governments ineligible for bank investment (as exemplified in the 2½s of 1965-70) and of triple A corporates have failed to show declines comparable with those of bank eligibles, it remains to be seen how long these widening spreads can persist. Should a continuing scarcity of intermediate issues force a further decline in yields in this maturity range, there will be strong temptation for non-banking investors ordinarily favoring these maturities to stretch out their investments into the long-term bank ineligible 2½s and high grade corporates still yielding relatively high rates. This might be accompanied by some spilling over of bank funds into high grade corporates if yields on the long-term bank eligibles go lower."

"Such moves," continues the analysis, "to the extent that they take place, would exert pressure on yields of high grade corporates and long-term government issues not eligible for commercial banks, and might eventually drive these rates also to lower levels. This would mean cutting still further the rates upon which insurance companies, savings banks, charitable and educational institutions, trust and pension funds, and other long-term investors depend. It would tend to divert investment money into more speculative employment and promote inflation. There is no doubt that the recent advances in stock prices and in real estate, which have been causing so much concern in Washington, are in part a reflection of the decline in interest rates."

As to the dangers involved an abnormally low level of interest rates, the circular quotes the authority of Chairman Eccles, of the Federal Reserve System, and of the presidents of the Federal Reserve Banks.

"Chairman Eccles, of the Board of Governors of the Federal Reserve System," the circular states, "stressed the deleterious effects of letting interest rates get too low when he said in a speech in the late Fall of 1940:

'Excessively low interest rates tend ultimately to induce inflated prices of governments, municipals, and other high grade securities. The effects are reflected in credit lines generally, and are felt by insurance companies, savings banks, educational institutions, and other fiduciaries representing the accumulations of many millions of our people, small as well as large savers.

Moreover, this creates a future problem for monetary authorities because at such time as it may become necessary to curtail further credit expansion, as a safeguard against inflationary developments, this step cannot be taken without causing a decline in the price of outstanding securities.'

"Only little more than a month after the above statement by Chairman Eccles, a special report to the Congress by the Board of Governors of the Federal Reserve System, the presidents of the Federal Reserve Banks, and the Federal Advisory Council contained the following declaration:

'Because of the excess reserves interest rates have fallen to unprecedentedly low levels. Some of them are well below the reasonable requirements of an easy money policy, and are raising serious, long-term problems for the future well-being of our charitable and educational institutions, for the holders of insurance policies and savings bank accounts, and for the national economy as a whole.'

"It should be possible to lessen the danger of further decline in the long-term investment rate, with injurious effects as described, by either (a) unpegging the short rates and allowing them to advance, thus attracting more bank funds into the nearer maturities, or (b) increasing the supply of intermediate issues and making them available to banks—preferably by direct offerings after the drives—which would satisfy their needs without bidding up prices and forcing down yields of outstanding issues. While a desire to limit bank earnings has been indicated to be responsible in part at least for the present official policy of restricting the supply of securities available to banks to the short, low-yielding maturities, it may be questioned whether this constitutes wise policy, especially in view of the collateral effects upon the general structure of interest rates outlined above.

"Undoubtedly a helpful factor in preventing a further decline in long-term interest rates generally would be for the Treasury to make clearer its intention to continue issuance of 2½% bonds in subsequent war loans."

Pennsylvania Brevities

(Continued from page 76)

Armstrong Cork Co. of Lancaster has called a special stockholders' meeting Sept. 5, to vote on the authorization of 250,000 shares of new preferred. It will be proposed that 161,522 shares will be issued presently, 52,994 shares to retire present preferred and 108,528 shares to raise $11,000,000 new capital.

The Elliott Co. of Jeannette stockholders have approved the reclassification of certain authorized and unissued stock into a new issue of 40,000 shares 5% cum. preferred, for which a registration statement has been filed.

Directors of Warner Co., Philadelphia, met in special session last Monday to iron out the few remaining wrinkles in the company's plan of reclassification. Details of the plan, which will provide for the retirement of the present first and second preferred issues through an exchange of securities, is expected to be made public shortly.

Cash or equivalent in the hands of the Trustees of Pittsburgh Railways Co. was reported last week to be in excess of $18,600,000. Gross revenues are continuing slightly in excess of the same period in 1944.

Philadelphia & Reading Coal & Iron Co. has registered 412,596 shares of new common, together with warrants to purchase the same number of shares, proceeds from which will be used to retire $9,799,155 general mortgage 6s. Principal underwriters are Drexel & Co. and Harriman, Ripley & Co.

The SEC has granted John H. Ware, 3d, of Oxford, Pa., permission to purchase 300 shares Hamburg Gas & Fuel Co. common and 600 shares Pen Argyl Gas Co. common, both par $50. Allentown-Bethlehem Gas Co. has agreed to sell its interests in Hamburg and Pen Argyl for $9,000 and $22,500, respectively.

Merger of Jacobs Aircraft Engine Co. with Republic Industries Inc., which owns approximately 85% of Jacobs stock, has been approved by stockholders. Jacobs common will be exchanged for Republic $25 preferred on the basis of three shares of Jacobs for one of Republic.

Directors of Pittsburgh Plate Glass Co. have called a special stockholders' meeting for Aug. 29, to vote upon a proposed split of each present $25 par common into four shares of new $10 par common.

In its first public financing, Blossom Products Co., Allentown, will sell $300,000 1st 4½s, 1955, to increase its working capital. The issue will be underwritten and offered by Warren W. York & Co.

Personnel Notes

Isaac W. Roberts, president Philadelphia Savings Fund Society, has been elected a director of Pennsylvania R.R. to succeed Thomas Newhall, resigned.

Charles P. Whitehead, vice president, has been elected president of General Steel Castings Corp., succeeding Harrison Hoblitzelle who becomes chairman of the board.

Fidelity Philadelphia Reports Promotions

PHILADELPHIA, PA. — Fidelity-Philadelphia Trust Co. reports the promotions of F. Travis Coxe to Vice-President and Secretary, Kenneth G. LeFevre to Vice-President and Treasurer, and Harry C. Barnes to Vice-President.

Railroad Securities

Union Pacific

In last week's reaction, all railroad securities shared in the general weakness, even those entitled to the highest grade investment rating. Union Pacific was a case in point, reacting from 136 to 128 at this writing, at which level the stock yields 4.65% on the basis of the $6 dividend currently being paid.

U. P. is a rare combination of railroad, investment trust and oil company. As a railroad property it is very efficient, in the ten years 1931-40 carrying through to net operating income before Federal taxes 15.6% of gross revenues, as compared with a Class I average of 14.7%. As an investment trust U. P. owns over $55 million of miscellaneous railroad securities, including large blocks of Illinois Central common and preferred, New York Central, Pennsylvania and large blocks of miscellaneous bonds including Illinois Central Joint Division 5s, 1963, Baltimore & Ohio Refunding 5s, New York Central Refunding 4½s, etc. These holdings are exclusive of important transportation companies wholly owned or controlled and operated in conjunction with its own transportation needs. The important companies in this regard include Pacific Fruit Express, 50% owned, from which Union Pacific derived $2,520,000 in dividends in 1944 and Union Pacific Coal Company from which it derived dividends of $950,000, also in 1944.

Since 1936 when oil was discovered on Union Pacific's property in the Wilmington Field located in the Los Angeles harbor area, earnings from this source have risen substantially. Whereas earnings from 1938-41 inclusive, averaged approximately $4 million during the three succeeding years, the average was slightly over $8 million with $7,681,000 being derived in 1944.

Excluding the Pocohontas carriers, Union Pacific has a record of earnings and dividend stability almost second to none among the larger carriers hauling a diversified list of commodities. In fact dividends have been paid regularly throughout the entire century, ranging from $3.50 per share to $11.50 per share to 1918, $10 per share from 1918 to 1931, inclusive, and at the rate of $6 per share from July 1932 to the present time.

Union Pacific has benefited from the war as have all of the Class I carriers, gross revenues mounting from an average of $150 million during the depression to $506 million in 1944 and net earnings available for charges from an average of $35 million to $76.2 million in 1942 and $63 million average during the three war years 1942-44.

Financial position has strengthened during the war, net current assets rising from $37.6 million at the end of 1939 to $161.9 million as of March 31, 1945. This latter figure is an understatement, however, in that excess profits tax refunds of $18.8 million are carried as a deferred asset and other deferred assets include freight and passenger settlements due from other railroads of $31.9 million, offset by corresponding items of $20.4 million in unadjusted credits on the liability side of the balance sheet, which will contribute an additional $10 million when these accounts will have been settled. Still further, Union Pacific at the end of 1944 carried its unamortized emergency facilities being depreciated on a five year emergency basis, at $36.5 million or $16.42 per share. A substantial portion of this amount will be translated into net current assets (in the form of credits) when the Japanese war has reached its final phase. All in all, therefore, net current assets, adjusted to the items referred to, would probably reach about $200 million.

Union Pacific is one of the few railroads which has not retired any debt during the war period, in fact in the past 8 years net debt has increased $27.2 million. This increase was brought about by substantial purchases of equipment financed through equipment trust certificates. Union Pacific concentrated on strengthening its working capital rather than on retiring debt, because in 1946 and 1947 $151,191,500 of bonds mature. Whether Union Pacific will choose to refund these in part, or whether they will choose to retire all of these maturities out of treasury funds, is conjectural. If for the purposes of this article we assume that these maturities will be retired, net interest savings, without allowance for tax adjustments, would amount to $6.5 million annually, equivalent to $3 per share on the common.

This would effect a marked change in the funded debt of the company, total debt following these retirements then being $217 million as against $373.2 million currently, and total fixed charges $7.57 million as against $14.11 currently. This represents a reduction of 41.84% in debt and 46.60% in fixed charges.

Many students of railroad finance believe that gross revenues for the western roads will greatly exceed the 1941 gross, particularly for those carriers operating in the far west which has been greatly industrialized during the war period. It is not too optimistic to forecast gross revenues of $250 million or $100 million greater than those of the 1930s and assuming operating ratios similar to those of 1938-40 inclusive, and making allowance for other income from its investments, we can envisage, assuming full retirement of 1946 and 1947 maturities out of treasury resources, coverage of new fixed charges of over 7 times, earnings of over $45 on the 995,431 shares of $4 noncumulative preferred and approximately $19 per share on 2,222,910 shares of common. This would contrast with actual earnings of $6.96 per share in 1940 (unadjusted to debt retirement as outlined herein), $11.19 per share in 1941, $26.14 in 1942, $18.58 in 1943 and $16.68 in 1944. Earnings for the first five months of 1945 are equal to $6.30 (again unadjusted) and for the full year should exceed those of a year ago, possibly reaching as much as $18 per share.

As indicated, Union Pacific has always been entitled to a high grade investment rating, has always enjoyed impregnable financial strength even during the depths of the depression, and with the further rehabilitation of railroad credit we would anticipate an increase in dividends possibly to the old rate of $10 per share.

Burlington Mills Preferred Offered by Syndicate

Kidder, Peabody & Co. and associates on July 3 offered to the public 150,000 shares of 4% cumulative preferred stock, ($100 par) of Burlington Mills Corp. The stock was priced at $104 per share plus accrued dividends. Proceeds of the sale of the new issue are to be devoted principally to the prepayment of a 3% promissory note in the amount of $8,000,000 due Nov. 1, 1959, callable at 102.79% and accrued interest, and to the redemption of 58,602 shares of 5% cumulative preferred stock redeemable at $108.50 per share and accrued dividends. Burlington's common stock outstanding, totalling 1,723,376 shares, will be its only other capital stock when these refunding operations are effected.

Burlington and its subsidiaries are the largest producers of fabrics made from rayon and other man-made fibers in the country. In addition, it is engaged to a limited extent in the production of cotton yarns and in fabrics made from cotton or combinations with cotton yarns. In each of the past 10 years it has required approximately 10% of the total rayon yarns made in this country, excluding tire cord yarns. Burlington's 46 plants are located in North Carolina, Virginia, and Tennessee, within easy reach of the large rayon producing centers.

F. Eberstadt & Co. Offers Elliott Co. Preferred

F. Eberstadt & Co. on July 3 publicly offered 40,000 shares of 5% cumulative preferred stock ($50 par) of Elliott Co. at $51 per share and accrued dividends. Net proceeds of this financing, estimated at $1,924,000 will be used to redeem, at $54 per share and accrued dividends, any shares of 5½% cumulative convertible preferred stock of the company not converted into common stock. Over 70% of the shares of 5½% preferred stock originally issued have already been converted. Recent market prices of the 5½% preferred stock and common stock of the company would make it advantageous for holders of the remaining shares to convert their 5½% preferred stock rather than allow it to be redeemed. Accordingly, the company expects that substantially all of the $1,924,000 will be available to it as additional working capital.

Until the date fixed for redemption, the outstanding 5½% preferred will be convertible into common stock at the rate of 2.77 shares of common for each share of preferred. Those shares of common now reserved for conversion which are not issued for that purpose will be sold to the underwriter for resale to the public at a later date.

Lt. Col. Tabler With Brooke, Stokes in Phila.

PHILADELPHIA, PA.—Lt. Col. Otis F. Tabler, formerly with Brooke, Stokes & Co. in Washington, is now associated with the Philadelphia office, 15th and Locust Streets.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 70)

saw the possibility of a whip-saw. So all the advice to buy was limited to certain and specific prices (for the stocks given) and stress was made on the stops.

* * *

Last week practically every issue recommended became available. In itself this easy buying was suspicious. Anything that comes easy, particularly in the market, has some kind of catch to it. Unfortunately there is nothing obvious about easy buying, or selling. The obvious seldom appears until the damage has been done. News, of whatever character, that may have an effect on the trend seldom becomes news in the accepted sense until after the fact.

* * *

In advising stops, wherever purchases are recommended, this effect of sudden news is taken into account. The major difficulty with stops is that once a stock breaks the stop point it automatically becomes a market order. In a disorganized market this may make the loss greater than originally anticipated. Yet even this loss may eventually be smaller than holding through in the conviction that everything will work out alright. It is this latter belief which furnishes most of the ammunition for the long pull holder, or the holder who owns his securities outright.

* * *

I have nothing against holding stocks for long periods. In fact this column has recommended retention for months at a time. But this long-pull holding should be maintained only when the action of the specific stocks, in relation to the rest of the market, continues favorable. It is here that we find the basic difference between the outright buyer and the margin trader. The former believes himself safe in the assurance that outright ownership eliminates him from the vicissitudes of market trends. He is a perpetual bull. "All's right with the world and God's in his heaven," to paraphrase the poet, is his philosophy. It's a comfortable philosophy, but thoroughly unrealistic. The stock market is a segment of our civilization and you can't escape its fortunes and misfortunes by a belief in any cliche.

A competent margin trader not burdened by any "owned outright" false sense of security, gets in when he thinks the time is propitious and gets out when certain indications appear. Sometimes he takes losses. But usually his profits take care of them. Incidentally the hardest thing to do is to take a loss.

In advising stops I try to hit a norm. Sometimes they bring losses but the profits make up for them. For example you had American Foreign Power 2d Pfd. at 27¾ with a stop at 26. Stock broke and your loss was 1¾ points. Western Union bought at 48¾ was stopped at 47 making another 1¾ point loss. Total loss was 3½ points. To offset that Jones & Laughlin bought at 30 was stopped at 34½, with a profit of 4½ points, leaving you with a black figure of about 1 point. You also have a paper profit in Big Steel of about 10 points. You bought it at 56 with a stop at 65 (currently about 68). Against that you have three stocks in the red. A. M. Byers was bought at 19, stop is 16. It's now about 18. Flintkote came in at 29½, stop at 28 and is now about 29. White Motors was acquired at 31, with a stop at 28½ and currently is about 30.

* * *

If all four stocks are stopped out the results would be a 7 point loss against which you'd have about 10 points profit. So you'd still be ahead and have money with which to try again when conditions permit.

* * *

In computing the profit and loss I am using only paper figures. I purposely avoided mentioning profits accepted in the past few months, profits which were actual and not on paper. If you're interested in knowing what they were I suggest you look at the back copies of the column for the past six months or so.

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.]

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

In recent years fire insurance companies have so broadened their operations that the name "fire insurance company" has become almost a misnomer. According to tabulations prepared by the Alfred M. Best Co., 77% of their 1920 aggregate premium volume was in fire risks, while in 1941 and 1942 the proportion in fire risks had dropped to 48.3%; in 1944 it was 54.5%.

Since 1920, by five-year intervals, the record is as follows:

TABLE I

Year—	Total Net Prem. Written ($000)	Fire %	Motor Vehicle %	Ocean Marine %	Inland Marine %	Tornado & Hail %	Riot %	Springler Leakage %	Earth-quake %	Misc. %
1920	890,000	77.0	10.0	5.5	2.5	4.0	0.3	0.2	0.0	0.5
1925	933,798	74.9	10.2	4.5	3.5	6.0	0.2	0.2	0.3	0.2
1930	909,551	70.9	12.0	4.6	5.5	6.0	0.3	0.3	0.2	0.3
1935	685,672	68.9	14.5	4.7	4.9	5.8	0.5	0.3	0.2	0.2
1940	917,291	50.9	25.7	9.3	5.7	3.3	0.4	0.2	0.2	4.1
1944	1,138,878	54.5	12.5	11.3	8.5	4.3	0.6	0.4	0.2	7.6

It is of interest that the 1944 premium volume constitutes a peak, and compares with $1,048,835,000 in 1943. The importance of motor vehicle writings increased steadily up to 1941, when the percentage was 26.2%. Ocean marine writings have also been steadily increasing, to reach a peak of 22.2% in 1942. The relatively large percentage in miscellaneous from 1940 on, is due to the inclusion of "extended coverage."

Analysis of the experience of groups of representative companies in their various lines of underwriting during the past five years brings out some interesting facts.

For example, the fire experience of a selected group of 35 companies, which collectively write about 60% of total stock company fire volume, shows the following trend in ratio of losses incurred to premiums earned:

1940	42.9%
1941	43.5%
1942	42.1%
1942	49.7%
1944	51.3%
Average	46.3%

It will be noted that, as a result of heavy fire losses during the war, the trend has been strongly up since 1942. The company having the lowest loss ratio in 1944 was Hartford with 44.4%, while among those having the highest were: Fire Association, 56.2%; Aetna, 56.5%; Ins. of North America, 57.2%, and Swiss Reinsurance, 68.1%.

Automobile experience over the past five years has been erratic. Loss ratios of a group of 35 companies, which write about three-fifths of total automobile business written by stock fire companies, has been as follows:

1940	54.1%
1941	59.0%
1942	44.4%
1943	41.2%
1944	59.4%
Average	51.9%

Premium volume in this line for the war years 1942 to 1944 has averaged approximately half the average volume of 1940-1941. Curtailment of driving in 1942 and 1943 caused a sharp drop from the pre-war loss ratios. Last year, however, general deterioration of automobiles coupled with higher costs of repairs and replacements, moved the ratio sharply up.

Ocean marine experience was greatly affected by war conditions. Volume expanded rapidly, for a group of 35 companies, from $58,636,000 in 1940 to $173,998,000 in 1942, but has since declined to $91,720,000 in 1944. Loss ratios have been as follows:

1940	42.6%
1941	58.1%
1942	99.9%
1943	45.8%
1944	50.3%
Average	67.5%

In 1942 enemy submarine activity was at its peak, but by April of that year the Government assumed the bulk of the war risk.

Inland marine lines have increased in premium volume each year over the past five years. Again, figures are for a group of 35 companies, which collectively write more than two-thirds of the total inland marine business written by stock fire companies. Their loss ratio trend has been as follows:

1940	47.1%
1941	47.5%
1942	46.3%
1943	53.3%
1944	52.4%
Average	49.8%

Extended coverage has grown rapidly during the last few years, undoubtedly influenced by the New England hurricane of September, 1938, and the hurricane along the Atlantic Coast in September, 1944. The loss ratio trend, 1941 to 1944, has been as follows:

1941	37.3%
1942	39.0%
1943	47.7%
1944	65.5%
Average	50.3%

Generally speaking, all times have suffered under war conditions, and underwriting profits have been below normal. Another factor contributing to these results has been a continuation of the downward trend in rates, especially in certain states. However, increased volume has provided the companies with larger funds for investment with the result that net investment income of most companies in 1944 was moderately better than in 1943.

Fire losses are still high as a result of war conditions; as the latter ease, the trend will undoubtedly reverse. The abnormal conditions of today must eventually give place to the normal conditions of a peace-time economy; then, the loss ratios of all lines will tend to resume their characteristic patterns. The market already appears to sense this, for fire insurance stocks thus far this year have shown a 10.6% greater appreciation than have the Dow Jones Industrials. (Note: Loss ratios for the various lines, from Best's "Insurance News," June, 1945.)

The International Monetary Fund

(Continued from page 67)

Fund will succeed over the long run in furthering international currency stability and international monetary cooperation. In my opinion the proposed International Monetary Fund will not accomplish these particular purposes. My reasons for this conclusion can be summarized as follows:

1. The purposes of the Fund are diverse and the objectives inconsistent.

The listed objectives of the Fund lack the singleness of purpose and internal consistency essential to its success. One does not know, for example, whether the Fund is to concentrate on currency stabilization or economic development.[1] Both are given emphasis in the Introductory Article of the Agreement. Its dual nature, resulting from an attempt to fuse the Keynes and White plans, accounts for its obscurities of language and augurs ill for its success.

2. Obscurities exist in the language and meaning of the Agreement.

In an address at the Lord Mayor's luncheon on October 4, 1944, Sir John Anderson, Chancellor of the British Exchequer, described the Articles of Agreement of the International Monetary Fund as a "difficult document, inevitably long and technical" and stated that it contained some "obscurities of language" which had led to misunderstanding and which must be clarified.[2]

An example in point is the phrase "fundamental disequilibrium." A member is not to propose a change in the par value of its currency except to correct a "fundamental disequilibrium." (Art. IV, Sec. 5 (a)). What is a fundamental disequilibrium? The Agreement gives no definition. Professor Gottfried Heberler of Harvard University points out the term is not susceptible to easy definition.[3] And yet vital practical policies rest on the particular definition selected.

3. The Fund is a conglomerate of local currencies. Lendable assets approximate $4,000,000,000 as opposed to total quotas of $8,800,000,000.

It is estimated that the United States and other nations will contribute the following sums to the gold and currency portions of the Fund:[4]

Estimated Gold and Local Currency Contributions to the Fund
(In millions of dollars)

Countries—	Gold	Local Currencies	Total
United States	688	2,062	2,750
Other nations	955	5,095	6,050
	1,643	7,157	8,800

No nation need have any difficulty in meeting its contribution to the Fund in the form of local currencies, which can be created at will.[5]

It needs to be borne in mind that local currencies can be spent only in the nation of issue, francs in France, rubles in Russia, etc.[6] Often the possessor of local currencies can spend the currency only if he has a ration card or export license.

Although the total quotas in the Fund come to $8,800,000,000 holdings of gold plus those currencies in greatest demand (the lendable assets) will probably not exceed $4,000,000,000. The United States supplies about 70% of the Fund's lendable assets.[7]

4. The credit operations of the Fund are not related to economic need.

Quotas determine the net borrowing power of member nations, and for this reason, certain countries at Bretton Woods endeavored to secure the maximum possible amount. The results in some instances, according to The Economist (London) were ludicrous.[8]

In general the quotas are not related to need or to capacity to repay and hence cannot be compared to lines of credit established by commercial banks, which are based upon a careful review and appraisal of all relevant financial and economic data, in which not only the need for funds but also the ability of the borrower to repay is taken into consideration.

No international credit agency such as the International Monetary Fund, can operate successfully unless loans are tailored to the specific credit needs of borrowing nations and unless careful study is given to the nature of those borrowing requirements. Some of the problems involved become apparent by raising a few questions. What, for example, are the requirements of England for foreign credits, and in particular, for dollar credits in the immediate post-war period? Will France, in view of her large gold holdings, require an external loan for stabilization purposes? Unlike the British situation, France's monetary problems are internal rather than external. The stabilization of the franc would seem to be a matter largely of checking internal inflation. To cite still a third case, does Russia, in view of her economic system and of the controls she has imposed over her foreign trade, stand in need of a stabilization loan? The external foreign exchange value of the ruble has little, if any, economic significance. Russia's needs would have to do with long-term credits of an investment character.

The needs of each nation should receive careful study and the credits extended should be geared to those needs. There is no such thing as a general stabilization problem. Conditions and requirements vary greatly from nation to nation.

5. The credit operations of the Fund are so automatic in character that no assurance is given that its resources will be used productively.

A member purchasing currency from the Fund must represent that such purchases are consistent with the purposes of the plan. These purposes, however, are very broad and even this requirement along with all other restrictive provisions in Article V. Section 3 (a) may be waived by the Fund in its discretion.[9]

Presumably only after a series of transactions have taken place can the Fund, after some delay, limit or deny the use of its resources to a member nation. The burden of proof rests on the Fund to show that its resources had been misused. This will be difficult to demonstrate inasmuch as the Fund finances general debit balances rather than specific transactions, and, in any event, the use of the Fund's resources by a large power will probably not be challenged.[10]

6. The credit operations of the Fund are without time limit.

It was the effort to remedy this defect in part that led to the insertion of Section 14 in H. R. 3314.

In testifying before the Committee on Banking and Currency of the House of Representatives (March 12, 1945) Mr. Harry D. White is reported to have said that it would not only be perfectly legitimate but it would be expected if nations, making net sales of their own currencies to the Fund, did not repurchase their currencies until after the expir-

All footnotes at end of article.

ation of 5, 6, or 7 years. One of the thing sTreasuries and central banks have learned over the past 20 years, he declared, is that many years may elapse before a payments is in balance. But surely nation's international balance of loans for the period of time envisaged cannot be defined as short-term.

According to one of the American delegate to the Bretton Woods conference, Russia will probably use the Fund to purchase capital goods.[11] If this proves to be the case the Fund can scarcely be termed a revolving one from which nations are "to meet temporary shortages."[12]

The advocates of the Fund point to the interest rate and recapture provisions of the Agreement as devices to force borrowing nations to repay loans. Interest rates begin at a low level, progress slowly and would not deter excessive borrowings.[13] The recapture provisions are subject to exceptions and do not apply to nations whose monetary reserves are less than their quotas and would not prove particularly effective except in the case of those nations developing an active balance of payments. These provisions would not affect to any marked degree those nations likely to make greatest use of the resources of the Fund.[14]

7. The virtually automatic character of the credit operations of the Fund preclude it from influencing internal monetary policy.

True exchange stability presupposes and rests upon the stability of internal price levels. To achieve internal stability, inflation which is now taking place in all nations would of necessity have to be checked. The International Monetary Fund is given no power to interfere with or to make recommendations concerning the domestic monetary and financial policies of member nations.[15] In fact, it is enjoined from raising questions concerning "the domestic social or political policies" of those member nations requesting a change in exchange rates (Art. IV, Sec. 5 (f)), and yet such policies are almost always interrelated with financial action.

In the loans which it sponsored after the last war, the Economic Committee of the League of Nations found by experience that credits granted were soon dissipated unless the borrowing nation undertook to balance its budget and otherwise rectify its internal finances.

8. Because it deals with the mechanics rather than with the fundamentals of the exchange problem, the existence of the Fund would not promote exchange stability.

A member nation may propose changes in its exchange rate to correct fundamental disequilibria. If the change, inclusive of all previous changes, does not exceed 10% of the initial par value of the currency, the Fund shall raise no objection. For changes beyond this amount the Fund must concur. But Sir John Anderson, British Chancellor of the Exchequer, has declared[16] that the Fund is obliged "to allow a change in exchange rates in order to correct a fundamental disequilibrium." The implication of the statement is that the nation requesting the change is itself to determine whether it faces a "fundamental disequilibrium" and whether, in consequence, it is entitled to alter its exchange rates. In other words, action is still unilateral. Consultation with the Fund becomes a mere formality. Sir John stated emphatically that England did not surrender "any ultimate right" to follow its own exchange policy.[17]

The fundamentals of exchange stability are the removal of trade barriers and the checking of inflationary trends.

9. The Fund conveys no assurance of the removal of exchange controls on current account.

I raise this point because the impression has been conveyed that the Fund does insure the removal of exchange controls on current account. Member nations retaining restrictions on current account, are not compelled to remove them within a stipulated period of time. Article XIV, Section 4, simply requires that five years after the Fund begins operations, and in each year thereafter, any member retaining restrictions on current payments shall consult with the Fund as to the further retention of such restrictions. The Fund may, if it deems action necessary **in exceptional circumstances,** make representations to any member that conditions are favorable to the withdrawl of any particular restrictions. After the lapse of a suitable time, the Fund may declare a member ineligible to use the resources of the Fund.

The Articles of Agreement contain no definition of the phrase, "exceptional circumstances" Section 5, Article XIV, instructs the Fund to recognize the fact that the post-war transitional period is one of change and adjustment and in making decision on requests occasioned thereby, it shall give the member the benefit of any reasonable doubt. A heavy burden is thus put on the Fund to prove that exchange restrictions on current account should be removed. Mr. E. E. Brown, an American delegate to the Bretton Woods Conference, stated[18] "It must be admitted that the teeth given the Fund to enforce the withdrawl of restrictions on current payments now in effect are weak."

Not only are member nations allowed, if they so desire, to retain exchange controls on current account through a transitional period of uncertain length, but they are permitted to impose such restrictions, where they did not previously exist, in case a currency is declared scarce (Article VII, Section 3 (b)) and may impose restrictions on non-member currencies, when such are not contrary to the purposes of the Fund. (Article XI)

The point to which I wish to give emphasis in this discussion is not that exchange controls on current transactions could be quickly removed in all countries, but that the Articles of Agreement of the Fund do not in themselves, as implied by many of its sponsors, insure the removal of such restrictions.

10. The operations of the Fund might have the effect of universalizing exchange controls.

Although it is the avowed purpose of the Fund to bring about the elimination of exchange controls on current account, in actual operation it might have the effect of causing such controls to be instituted where they did not previously exist and of perpetuating such controls where they have been in force. This conclusion rests on the following considerations:

a.) the fact that controls on current account may be projected into a transitional period

(Continued on page 82)

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The heavy oversubscription of the Seventh War Loan, created a great demand for the marketable drive issues, when trading took place in them, for the first time last Monday. . . . The market was confused almost the entire day, despite the efforts of "Federal" and the dealers to keep it orderly. . . . At intervals the spread between the bid and offered prices of the new issues was as much as a quarter of a point. . . . At the opening, the 1½s, 2¼s and the 2½s were all quoted 101 4/32 bid, with no offers. . . . Then bids were moved up to 101 6/32nds with early trades reported to have taken place in the 1½s at 101 10/32nds, and in the 2¼s and 2½s at 101 8/32nds. . . .

From then on prices for these issues moved ahead with the 1½s at one time being quoted 101 18/32nds bid, offered at 101 20/32nds. . . . It was reported that the high sale for this bond was 101 18/32nds. . . .

The 2¼s and 2½s, during the day, were quoted 101 17/32nds bid, offered at 101 20/32nds, with the high sale for these bonds reported to have been 101 17/32nds. . . .

LOWER AT CLOSE

Later in the day the market lost some of its early enthusiasm and prices receded slightly with the 1½s closing 101 9/32nds bid, offered at 101 10/32nds, the 2¼s and 2½s, 101 13/32nds bid, offered at 101 15/32nds. . . . After the market had an opportunity to consider the levels at which the new and old issues were selling, switching developed, out of the new securities into the old issues and vice-versa. . . .

TAXABLES BREAK NEW GROUND

Although trading in the new issues was the feature of the Government bond market, most of the taxable 2s went to new all-time highs as did the higher coupon bank eligible bonds such as the 2½s of 1952/54, the 2¼s of 1952/55, the 2½s due 1956/58 and the 2½s due 9/15/67/72. . . . Some switching and selling of the June and December 2s of 1952/54, as well as the 2½s due 9/15/67/72, resulted in these bonds closing off slightly from their tops. . . .

Nevertheless, these three issues are considered among the most attractive obligations for commercial banks, and their purchase is recommended at present prices. . . .

The outstanding restricted issues were in demand led by the 2¼s due 1956/59, the 2½s due 1962/67 and the 2½s due 1963/68, all of which went to new highs. . . .

The partially-exempts were quiet with some minor betterment being evidenced in the last four maturities.

7TH WAR LOAN VOLUME

It is estimated that the Treasury in the Seventh War Loan will raise about $27 billions. . . . This will exceed by a substantial amount the best previous sum of $21,621,000,000, obtained in the Sixth War Loan. . . . It is indicated that commercial banks with savings deposits, subscribed to more than $1.2 billions of the 1½s due 12/15/50. . . . This would result in a grand total for the Seventh War Loan of about $27 billions, or approximately twice the formal Treasury goal of $14 billions.

Disclosure of the exceptionally fine results of the drive now ended, resulted in a strengthening of the entire Government bond list and, in addition, gave strong support to the opinion in market circles that the next Treasury war loan financing will not take place until some time in the forepart of 1946, rather than late this year, as was previously expected.

FUTURE RATE PROSPECTS

The large oversubscription of the Seventh War Loan, as well as the substantial demand that exists for the outstanding obligations, raises the question as to whether changes in interest rates and maturities, may be expected in the Eighth War Loan. . . . The general level of interest rates continues to decline and there are some money market experts who believe that there may be a lowering of rates or an extension of maturities or both in the next drive. . . . They point out that 2¼s and 2s could be sold to institutional investors, without difficulty. . . . Also the opinion is held that the maturity of the 2½s could be extended with the 2¼s replaced with a longer maturing 2% bond. . . .

On the other hand there are many money market experts who contend that there will be no change in the interest rate of obligations that will be offered to institutional investors in the coming War Loans. . . . It is the belief of this group that no matter how low the rate may go on issues eligible for purchase by commercial banks, there will be no decrease in the rate of securities that will be sold to insurance companies and savings banks. . . .

It was pointed out that future sales of Government securities to individuals and corporations will be more of a problem than it was in this drive. . . .

POLICIES ADJUSTED

This will mean greater reliance by the Treasury on the savings banks and insurance companies, in financing the deficit which will still be substantial. . . . Also the financial policies of these institutions are adjusted to the present level of interest rates on the Government obligations they can buy during the drives. . . . This rate is very satisfactory to them. . . . It was also noted that these concerns are non-profit organizations, mutual companies, owned by the depositors and policy holders. . . .

Accordingly it is the opinion of these money market experts that so long as the insurance companies and savings banks follow the instructions put out by the "Federal Authorities," they will get all the 2½s and 2¼s they can use in the future. . . .

COMING MONTHS

It will be interesting to see what takes place in the Government bond market in the coming months, in view of these conflicting ideas on the future trend of interest rates. . . . It was recalled that not long after the Sixth War Loan, the Government market started in an upward trend that carried it to new all-time high levels, when it was feared that there would be no more offerings of the long-term high high coupon bonds.

The International Monetary Fund

(Continued from page 81)

of indefinite length. The longer such controls are retained, the more they become part of the fabric of the economic life of the nations concerned and the more difficult their removal will prove.

b.) the difficulty of distinguishing between transactions on capital and current account.[19] Exchange controls on capital transactions may be maintained indefinitely and the introduction of such controls may be requested by the Fund to prevent the resources of the Fund from being used to meet a large sustained outflow of capital (Art. VI, Sec. 1 (a)) or to prevent a member's own resources of gold and foreign exchange from being used to meet capital movements not "in accordance with the purposes of the Fund." (Art. VI, Sec. 1, d (ii)). The fact that the Fund may request the imposition of exchange controls on capital transactions where they did not previously exist, along with the difficulty of distinguishing between capital and current transactions and the consequent need to scruitinize all exchange transactions, may well tend to universalize exchange controls.

c.) Section 2 (b) of Article VIII, making exchange contracts unenforceable, which are contrary to the exchange control regulations of any member nation (imposed consistenely with the Agreement), would probably cause governments to review all exchange transactions.

d.) the fact that nations may impose controls on current exchange transactions, whenever a currency is declared "scarce" (Art. VII, Section 3 (b)), the fact that such controls may be imposed on non-member nations (Art. XI, Sec. 2), the fact that a member nation, unless it freely buys and sells gold, is charged with the responsibility of seeing to it that all exchange transactions between its currency and that of all other members takes place within certain prescribed limits (Art. IV, Sec. 4 (b)) would tend to perpetuate and to generalize a complete control of the foreign exchanges.

The recapture clauses of the Fund might lead to permanent exchange control on both current and capital account.[20]

11. The Fund does not solve the British external financial problem which must be solved if genuine exchange stability and the elimination of exchange controls are to be achieved.

The pound and the dollar are "key currencies," in the sense that the bulk of international trade is transacted in terms of the one or the other. The basic problem in the stabilization of exchange rates in general is the stabilization of the pound-dollar rate.

The Fund does not solve the British exchange problem for the reason that it does not provide England with the financial assistance that she will require in the immediate post-war period. Britain's needs may total several billion dollars. Unless these requirements are met, England will not be able to effect a firm stabilization of the pound or to remove exchange controls.

12. The Fund is not a code of currency conduct.

It has been stated that one of the great contributions of the Fund is that it provides a code of currency conduct. However, so many basic questions have arisen concerning the meaning and interpretation of the Agreement, that it scarcely merits being dignified by the term "code." For example, various questions have arisen concerning the interpretation of Article VIII, Section 3, having to do with the avoidance of discriminatory currency practices. The "Times" (London) has inquired whether this section would prevent special currency agreements within the sterling area.[21] Lord Keynes has declared that there is nothing in the plan inconsistent with Britain requiring a country from which it imports to take in return a substantial quantity of its exports.[22]

Differences of interpretation have arisen concerning the relationship of the Fund to the gold standard. Various sections of the Articles of Agreement of the Fund are presented to the American public as a victory for exchange stabilization and for a modified gold standard; other sections are presented to the British public as a victory for exchange flexibility and as the antithesis of the gold standard, or of such a radical departure that the standard is reduced to the status of a constitutional monarch.[23]

The British Chancellor of the Exchequer said (The New York "Times," May 11, 1944, p. 5) that the experts' proposals (the immediate precursor of the International Monetary Fund) did not mean a return to the gold standard and did not require the elimination of any special arrangements existing within the sterling area.

These wide differences in points of view caused Professor John H. Williams to write: "But there remains the fundamental fact that national attitudes are very far apart, so much so that in efforts to get their plan adopted the experts have to engage in what comes dangerously close to double talk."[24]

In a letter to the New York "Times" (March 14, 1945), Mr. Robert Boothby wrote: "The divergence of view between the two countries is already wide. You have beed led to believe that the Bretton Woods proposals take us all back along the road to a gold standard, currency stability, non-discrimination and multilateral trade. We have been assured that they constitute the exact reverse of a gold standard, that exchange rates will be flexible and that reciprocal trade agreements involving discrimination will be permissible."

An Agreement which, by reason of the ambiguity of its provisions is open to such widely divergent interpretations certainly does not constitute a code of currency conduct.[25]

13. The Fund will not promote international monetary cooperation or international harmony.

The ambiguous character of the Articles of Agreement of the International Monetary Fund, as well as the failure to solve fundamental problems, augurs ill for the success of the Fund. It may appear to succeed as long as its gold and dollar assets remain. When these are exhausted, it will lose even the semblance of success. International harmony will give way to discord and recriminations unless the United States continues to supply additional dollars. But to supply the Fund continuously with unlimited amounts of dollars would put our own currency in jeopardy.

The Fund offers no basic solution for the monetary problems of a war ridden world. Until such questions as relief and reconstruction, war debts and commercial policy are solved, attempts at international currency stabilization will prove abortive. Credit extensions of automatic type envisaged by the Fund are no substitute for the solution of fundamental problems.

Basic in the stabilization of currencies is the elimination of barriers to trade.[26] A world trade conference should be convened immediately to consider and evolve constructive action. In the absence of such action, exchange stabilization rests upon an ephemeral basis. Although in its report, Commission III of the Bretton Woods Conference did give emphasis to the need to reduce obstacles to international trade, the discussions centering around the Fund have tended to divert attention from this all-important problem. Not until nations have exhibited a real willingness to effect drastic reductions in tariff rates and to eliminate import prohibitions and quotas, export subsidies, regional preferences, bulk buying, etc. is exchange stabilization a practicable goal. After our experience in the decade of the 'twenties, we should not again resort to an extension of foreign credits as a substitute for the reduction in obstacles to trade.

The United States must be willing to assume leadership in such a trade conference and must be prepared to effect a substantial reduction in its tariff rates. Never shall we have a better opportunity to do so than in the period of transition from peace to war, when economic systems, including our own, will be in a general state of flux.

A Positive Program

The alternative to the adoption of the International Monetary Fund is not chaos. It offers no real solution to the world's monetary problems. It does not constitute a code of currency conduct. It will not contribute to international harmony.

A positive program would embody the following elements:

1. The rejection of the International Monetary Fund, as unworkable and unsound.
2. The immediate convening of a world trade conference.
3. If the trade conference proves successful, the United States

All footnotes at end of article.

should lend its assistance in the solution of the post-war British exchange problem. This problem is crucial and must be solved, if a multilateral system of payments is to be restored.

4. As a further important contribution towards international monetary stability, the United States would cancel World War I debts, repeal the Johnson Act of 1934 and stand ready to accord a very generous treatment in the settlement of Lend-Lease assistance given in World War II.

5. The United States would accept membership in the International Bank for Reconstruction and Development which would stand prepared to make long-term stabilization loans, to gather monetary information and serve as a meeting place for the monetary authorities of member nations.

6. Still another step to be taken by the United States, is the formulation of a constructive and well-integrated foreign lending policy. This is essential if we, as the creditor nation of greatest potential power in the post-war period, are to exercise a stabilizing influence on international economic relationships.

Foreign dollar loans whether extended on public or private account should be confined to uses which will enhance the export ability of the borrowing nation and its power to acquire foreign exchange for repayment. Foreign dollar loans should not exceed the capacity of the foreign nation for productive utilization of the funds borrowed. They should supplement and not supplant domestic capital accumulation. To look upon capital exports as a means of maintaining full employment in this country is to render our foreign borrowers a great disservice.

One of the greatest contributions this country can make towards post-war stability is to provide a dollar in which other nations will have confidence. This will not prove easy. The road back to sound currencies is difficult economically and seldom popular politically. As soon as possible in the post-war period we must divorce the commercial banking system from deficit financing, balance the federal budget, and refinance the floating debt. These measures are necessary to retard post-war inflationary developments and without them we cannot establish the dollar as an international currency in which all nations will have confidence.

In conclusion, my recommendation is that the International Monetary Fund be rejected; that the International Bank for Reconstruction and Development be accepted with the changes suggested by the committees representing the American Bankers Association, the Association of Reserve City Bankers and the Bankers Association for Foreign Trade; that a conference of United Nations be assembled as soon as possible to give consideration to the removal of trade barriers; that the United States cooperate to the fullest extent with Great Briain in the solution of the British exchange problem; that the United States formulate a constructive and well integrated foreign lending policy; and that the American dollar be established on such a firm basis that it will have the confidence of the trading world.

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1. In his testimony before the Banking and Currency Committee of the House of Representatives (March 12, 1945), Mr. Harry D. White, Assistant to the Secretary of the Treasury, is quoted as stating that a "stabilization fund exists in order to meet emergencies." The emergencies he cited were those arising from crop failures and war. He said that the war had left countries with their factories destroyed and inventories depleted and that, in consequence, a stabilization fund was required. But would such use of the International Monetary Fund be consistent with Article XIV, Section 1, of the Articles of Agreement?

2. "The Financial News," London, Oct, 5, 1944, p. 3.

3. Haberler, Gottfried. "Currency Depreciation and the International Monetary Fund." "The Review of Economic Statistics." Vol. XXVI. No. 4. November, 1944.

4. "Federal Reserve Bulletin," September, 1944, p. 855.

5. Non-interest bearing non-negotiable demand notes may be substituted for local currencies. This action may have the effect of obscuring the opeartions of the Fund, particularly in the case of nations selling currency to the Fund.

6. See "Federal Reserve Bulletin," September, 1944, p. 856.

7. **Bretton Woods Proposals.** Report of the Committee on International Monetary Matters of the N. Y. State Bankers Asso., Feb. 8, 1945, p. 27.

8. Issue of July 29, 1944, p. 138. See also **The Bretton Woods Proposals,** Chamber of Commerce of the United States, pp. 13-17. Conversely nations endeavored to reduce capital subscriptions to the International Bank for Reconstruction and Development. Latin American Countries as a whole subscribed $154,000,000 less to the Bank than the Fund and six other nations an aggregate of $46,000,000 less. Canada subscribed $25,000,000 more to the Bank than to the Fund; China, $50,000,000; and the United States $425,000,000. Dr. White was quoted as stating to the Committee on Banking and Currency of the House of Representatives on March 7, 1945, that "participation in the Bank means something quite different than the participation in the Fund." Subscription to the Bank, he explained was a pure liability.

9. The only transactions specifically prohibited are that the Fund may not be used "to meet a large or sustained outflow of capital" (Article VI, Section 1(a) or "to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war." (Article XIV, Section I). However, unless the Fund finances specific transactions instead of a general passive balance of payments, as is its purpose, there is no assurance that it will not be used directly or indirectly for the above purposes.

10. **Bretton Woods Proposals.** Report of the Committee on International Monetary Matters of the New York State Bankers Association, Feb. 8, 1945, pp. 34, ff.

11. Brown, Edward E. "The International Monetary Fund: A Consideration of Certain Objections," **The Journal of Business of the University of Chicago,** October, 1944, p. 202.

12. **Federal Reserve Bulletin,** September, 1944, p. 851.

13. Assuming that a nation exercises its full net borrowing rights each year, and assuming that it does not fall subject to the repurchase provisions, it would take 5 years for the overall rate (excluding the service charge), to reach 2½%, 8 years to reach 4%, and 10 years to reach 5% after which the Fund could fix rates at its discretion. Not until the rate applicable to any bracket has reached 4%, are the Fund and the member nation directed to consider means by which the Fund's holdings of its currency can be reduced.

14. Russia is given a broad exemption from the recapture provisions for the first five years of the operation of the Fund. (Schedule B, Section 4).

15. 'Clearly, the agreements neither impose any particular monetary policy upon the members nor prevent them from resorting to any monetary policy designed to protect their own interests. * * * The members are completely at liberty to expand or contract their own money, to balance or unbalance their budgets, to invest or disinvest at home; in short, to pursue any domestic monetary policy they think fit." (Stern, Ernest H. "The Agreements of Bretton Woods" **Economica,** November, 1944, pp. 174-176).

16. "The Financial News" (London), October 5, 1944, p. 3.

17. The proponents of the Fund have declared that Aritcle IV, Section 8, requiring nations to maintain the gold value of the Fund's assets will deter member nations from exchange depreciation. This requirement, however, is not particularly onerous as nations depreciating their currencies simply give the Fund an increased proportionate amount of their non-interest-bearing, non-negotiable demand notes. These it would not have to honor unless it developed an active balance of payments.

18. "The Interantional Monetary Fund: A Consideration of Certain Objections." **The Journal of Business of the University of Chicago.** Vol. XVII. No. 4, October, 1944, p. 206.

19. Both the French and Russian delegations entered specific reservations to the definition given to current transactions in the Articles of Agreement of the Fund.

20. Williams, John H. "The Bretton Woods Agreements." **Proceedings of the Academy of Political Science,** April, 1945.

21. September 5, 1944, p. 5.

22. **The Bretton Woods Proposals,** Finance Dept., Chamber of Commerce of the U. S., February, 1945, p. 78.

23. Professor Kemmerer has described the International Monetary Fund as "a collection of managed-paper-money standards which, in practice, would be largely controlled by a politically dominated international board." "The American Dollar and the Bretton Woods Plan" an address at the Institute on Money and the Law, New York City, Jan. 16, 1945.

24. Williams, John H. "International Monetary Plans: After Bretton Woods," Foreign Affairs, October, 1944, p. 53.

25. It has been suggested that the Agreement might constitute a code of currency conduct for the smaller nations. But such a code, even if clearly defined and enforceable, would have little real significance, inasmuch as currency difficulties of an international character originate in the "key countries."

26. Lord Keynes has written that "forms of commercial policy, permissible under the Bretton Woods currency proposals, may be so destructive of multilateral trade that, if they are adopted, Bretton Woods will have been rather a waste of time." "The Times" (London). Aug. 30, 1944).

Disturbing Implications in ICC Rate Decision

First National Bank of Boston Expresses Fear That It Is A Preliminary Step Toward Nation-Wide Uniform Rates.

The June 30 issue of the New England Letter of the First National Bank of Boston contains a pointed comment on the recent Interstate Commerce Commission decision in which the Southern Railroads were ordered to lower their first class freight rates 10%, and the Eastern carriers were ordered to lower the same rates by a similar percentage. After stating that the "decision will likely have but little general influence as it involves class rates that cover only 4.1% of the freight tonnage of the country" and that small shippers in the East would be "penalized" because they ship in less than carload lots and are therefore subject to class rate charges, the article goes on to say that "the long-run implication of this ruling is disturbing, as it is believed to be but a preliminary step toward bringing about uniform freight rates throughout the country. But no economic justification for uniform rates on a nation-wide basis exists when conditions upon which rates should be based, such as the density of traffic, character of terrain, type of cargo, and the like, are so dissimilar.

"Behind this decision," it is further stated, "there was a great deal of political pressure by sectional groups intent upon using a revision of freight rates as one of the means of remaking the economic map of the country by causing migration of industries from the populous East to the West and South.

"Freight rates are only one of the many factors that determine the location of industry under normal procedure, including the availability and cheapness of water power, relative producivity of labor, nearness to market, accessibility to raw materials, and so forth. Whether freight rates play a major or a minor role is determined largely by the nature of the product. In the case of cement, for instance, transportation costs limit the distance that the product can be shipped to market. On the other hand, freight rates are relatively unimportant in the woolen industry, and we find that this industry continues to be centered in New England, where around two-thirds of its value of output is produced, or approximately the same proportion as in 1900.

"In view of the mobility of capital and labor, proximity to markets and raw materials has become the deciding factor in the location of new plants. As a result of this influence, the milling industry, which had its beginning on the Eastern Coast, now centers largely in Minnesota near the wheat regions. The slaughtering industry has been shifting to the West and Southwest, following the movement of the cattle industry. Farm machinery, because of its bulky character, tends to have its factories located near the farms where it is used.

"The predominant influence, however, in the establishment of industry is its nearness to consumers' markets. This is evidenced by the fact that the center of industry in the country is in the East North Central region, within 170 miles of the center of population of Carlisle, Ind. Abundant resources, stimulating climate, and a strategic geographical position have combined to make this section the most important industrial area in the nation, and it accounts for about one-third of the total value of manufactured goods in this country."

Lazard Freres Admits Acheson as Partner

A. Glen Acheson, a Lieutenant-Commander in the United States Naval Reserve for the past two and one-half years, and recently transferred to inactive duty, has been admitted to the firm of Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, as a general partner.

Mr. Acheson was formerly a partner of F. S. Moseley & Co. and prior to that was an officer of Chase-Harris, Forbes Corporation. His admission to partnership in Lazard Freres & Co. was previously reported in the "Financial Chronicle" of June 28th.

Forrest C. Lattner, a partner of Lazard Freres & Co., who had been with the firm for 11 years, has retired because of ill health.

Dunbar a Director

John B. Dunbar, a partner of Cruttenden & Co., 209 South La Salle Street, Chicago, Ill., was elected as a new director of the Whiting Corp. at a meeting held June 26, 1945.

Mutual Funds

Wealthy Investors and Mutual Funds

Life insurance was developed for the man of small means—the man whose earnings were not sufficient to permit him to create an estate out of his savings. As one wag has expressed it, life insurance made it possible for the average man to provide funds for his own burial and a new dress for his wife to enhance her prospects for another spell of matrimony. At the time the **mutual** life insurance companies were being developed little thought was given to the possibility that they might be attractive to wealthy individuals. After all, wealthy men already had an estate.

And yet, look at the life insurance business today. The advantages which the **mutual** life insurance companies made available to individuals of small means were not the only advantages which they possessed. Wealthy people soon discovered that they too could profit by what these companies had to offer. And today it would be difficult to find a wealthy person of acceptable health who does not carry a large amount of life insurance.

Mutual funds were also developed for the man and woman of small means. Their primary purpose is to provide the advantages of professional investing at a cost which small investors can afford. Unit sales of mutual funds are evidence that they are filling this purpose.

However, the advantages which mutual funds afford are proving to be attractive to wealthy individuals as well. Whereas the average investment of mutual fund shareholders ten years ago was less than $1,000 per person, today because of larger purchases by wealthy individuals, the average has more than doubled to over $2,000 per shareholder.

What are these advantages of mutual funds which wealthy individuals find attractive? They may be listed as follows:

1. Low cost, professional management of their investments under strict protective safeguards as embodied in an Act of Congress.

2. Greater diversification of investment than would be practicable even for a wealthy person in view of the tremendous amount of detail involved in handling individual securities. (For example, the problem of computing taxes on dividends received from a large number of individual companies is eliminated by use of mutual fund shares on which tax and dividend information is sent regularly to shareholders.)

3. Guaranteed marketability at fair liquidating values. (The market for any individual security can become disorganized if sudden pressure for liquidation is brought to bear. The marketability of mutual fund shares is not dependent upon just one individual security but enjoys the support of all portfolio securities.)

4. Special tax treatment of mutual funds, eliminating the double taxation which is incurred through the use of personal holding companies.

5. Continuity of management and supervision of investments, giving the investor freedom from technical management problems during his lifetime and protecting his estate through the often difficult and extended period of settlement.

There are other advantages but these are the major ones. When you consider their scope and importance, there is little wonder that more and more wealthy individuals are turning to mutual funds for the solution of their investment problems.

* * *

Stock Prices Today

In its current issue of "Investment News," **Distributors Group,** sponsor of **Group Securities,** presents a convincing story of a bright future for stock prices. At current levels the stock market is still more than 17% below its 1937 high and more than 50% below 1929. A chart showing the long term price range of 90 stocks bears out this statement.

It is also pointed out that "although stock prices are far below 1929 levels, other financial measures—the so-called 'inflation factors'—are far above," and the following table is presented:

	1929	1945	Percent Change
	(Billions of Dollars)		
Government Debt	$17	$250	up 1370
National Income	83	150	up 81
Demand Deposits	23	71	up 209
Time Deposits	28	42	up 50
Currency in Circulation	4	26	up 550

The article concludes: "With the greatest deferred demand in history and the prospect of reduced tax rates after the war, American industry appears headed for a period of unprecedented prosperity."

"Pocketax 1945"

W. L. Morgan & Co., general distributors of **Wellington Fund,** has prepared and made available to its affiliated dealers a limited supply of the booklet, "Pocketax 1945." It is a small booklet (approximately two and one-half by four inches) containing comprehensive tax data. Besides descriptive and tabular information, many examples are cited to simplify its use.

In the words of W. L. Morgan & Co., "it is indeed one of the most handy tax references that we have ever seen."

Assets and Earnings of 50 Low-Priced Common Stocks

The current issue of **Keynotes** stresses the high book value and earnings per share of 50 low-priced common stocks as compared to their relatively low current average price.

"The average price of these 50 stocks at the high in 1937 was 27. In 1938 they sold at an average price of $6, and on April 1st, this year, their average price was $15.

"But since 1937, they have had five years of high earnings, which have been used largely to improve plant and equipment and to strengthen financial condition, with the result that average book value of $28.96 a share at the end of 1944 was 40% higher than at the end of 1937—and 1944 earnings were more than double those of 1937.

"In short, these stocks are selling at little more than half of the 1937 average high price, with book value now 40% higher and 1944 per share earnings more than 100% higher."

The Office Equipment Industry

National Securities & Research Corp., in the current issue of **Investment Timing,** reports on the "Peak Production Ahead for Office Equipment Industry."

We quote a few pertinent excerpts from this study:

"While this industry has been among the major producers of armament and munitions, it has simultaneously aided the war effor by continuing to turn out for the Government, war plant and land-lease requirements, many of its normal products which include typewriters, electric typewriters, filing cabinets, cash registers, and a variety of time and labor-saving machines. . . .

"As a result of completion or cutbacks of war contracts and munitions orders following V-E Day, some companies in the industry . . . are expanding production and sales of their regular lines, which even last year were about 50% of the industry's total volume.

"In early post-war years the sales of typewriters will no doubt exceed 1941 production of approximately 1,300,000 at a factory value of about $65 million. The WPB, in a recent survey of contemplated peace-time production, indicates that current output per quarter is $17.5 millions, with 'all-out' or capacity production at retail estimated at $120 millions annually."

Mutual Fund Literature

National Securities & Research Corp.—Current issue of **National Notes** . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important." . . . **Distributors Group**—Revised, up-to-date issue of the booklet "Group Investing in Undervalued Securities"; current issue of **Railroad News** entitled "Present Values in Railroad Stocks."

NASD Not to Appeal From SEC Ruling on Disciplinary Authority

Announcement that the National Association of Securities Dealers, Inc., will not appeal from the ruling of the SEC which held that it lacked authority to penalize members for violating price-maintenance contracts in the underwriting and distribution of securities was made on June 29 by Wallace H. Fulton, Executive Director of the NASD. Advices from the Philadelphia bureau of the "Wall Street Journal" of June 30 said:

"The decision grew out of the NASD's levying fines against 70 members for violating a price agreement in connection with the sale in 1939 and 1940 of an issue of $39,000,000 of bonds of Public Service Co. of Indiana.

"While not deciding the point, the Commission expressed the view that the effect of the price-maintenance contracts in question did not violate the Sherman Anti-Trust Act. The Department of Justice, as well as counsel for the Commission's Trading and Exchange Division, had argued that the price-fixing provisions of syndicate agreements violated the Shermian Act.

"Wallace H. Fulton, NASD executive director, said:

"'The SEC opinion dealt with a phase of NASD disciplinary authority that was of minor importance in relation to the broad purposes of the Association and raised no issues in respect to the enforcement of other statutory powers. To appeal the SEC decision would be a long and costly undertaking which the Executive Committee and the Board of Governors feel would not be justified by the limited effect of the decision on the Association's activities.'"

Kidder, Peabody to Admit R. P. Compton

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, will admit Randolph P. Compton to limited partnership in the firm as of July 12th. Mr. Compton was formerly in business as an individual dealer, was an officer of Union Securities Corporation, and was Manager of the Municipal Department of Lazard Freres & Co.

Managing the Public Debt

(Continued from first page)

rates. Any attempt to hold interest rates down and at the same time maintain sound money will either kill any budding prosperity or create black markets in capital. It will only be natural for individuals and businesses to seek to use their capital at the greatest advantage. The increased demand for capital resulting from business opportunities always brings a buyer's market in low-yielding bonds. To continue cheap money in the post-war period by increasing the supply of currency or reducing the value of money would lead to destructive inflation.

From every angle the post-war economic outlook is clouded by the problems of the national debt. To allow the prices of bonds to fall, as they would if left to free markets, would bring losses to investors who had to sell or use the bonds as collateral for credit.

To support the bond prices and low money rates by increasing the supply of cheap money would create inflation in its worst form. To regulate the flow of capital into selected industries and hold money rates down artificially would restrict business and create unemployment.

The National Debt Problem

At the present time the large holders of the public debt in billions of dollars are about as follows: Commercial banks, 75; individuals and personal trusts including charities 65; non-financial corporations 25; insurance companies 20; the Federal Reserve banks 16. While these figures are not accurate and these relationships are always changing, they give a rough idea of the present distribution of the debt. Non-financial corporations and individuals combined hold less than 100 billion dollars, or less than half of the outstanding national debt. In order to maintain sound money and credit conditions, and strong banking institutions, it will be necessary for a large part of the debt held by the banks to be converted into longer term maturities and sold to investors who will purchase these securities out of earned savings.

Because of the necessarily low yield on Government bonds and because of the great need for capital in the reconstruction period after the war, the problems of placing the Federal debt in the hands of investors, holding down the interest rates and holding up the price of the securities seems an insurmountable task of trying to ride at least three horses going in different directions.

But there must be some solution to this problem, and that solution should be found, and found quickly in order to build a safe transition bridge from war to peace prosperity.

A Proposed Solution to the National Debt Problems

According to actuarial records, a large percent of the people who are employed and reasonably well off between the ages of 40 and 50 are unemployed and dependent by the time they reach the age of 65. Savings are hard to keep in this changing world where we progress to new and better living conditions through destroying the old.

Would the individuals who now own Government bonds be willing to deposit these bonds with the United States offices of pensions and annuities and receive a guaranteed refunding annuity payable to each holder on a monthly or quarterly basis beginning at any age designated by the holder.?

The bonds deposited with the annual interest compounded would constitute the full amount to be paid back to the annuitant. The earlier the payments began, the smaller each payment would be, based upon the actuarial expectancy of life. The amount of the monthly or quarterly instalments might be increased and the life of the refunding annuity decreased. Any part of the fund not paid out to the original beneficiary could be passed on by the will of the annuitant to a designated beneficiary or disposed of in any way directed by the original depositor.

Once such a deposit of bonds is made, the annuity plan is permanent and the bonds cannot be recovered except on an annuity income basis which shall be paid to meet the convenience and needs of the depositors. Neither the bonds nor interest can be attached for debt, hypothecated, or stolen.

If people were fully informed as to the safety of this method of providing for an income in retiring years, I believe a large part of the present individual owners of more than 55 billion dollars worth of Government bonds would deposit these bonds and accept a guaranted refunding annuity for them. The social security laws could be revised and provide for the billions of dollars worth of Government bonds held by corporations to be deposited in the payment of social security taxes and retirement pension funds. In addition, billions of Government bonds would be purchased by individuals and corporations and deposited to gain the benefit of a safe guaranteed Government refunding annuity arranged to meet the convenience of beneficiaries.

In the course of five or ten years, it is conceivable that from 50 to 100 billion dollars in Government bonds would be deposited for refunding annuity benefits.

While a small percentage of payments might begin in the near future, a large part of the annuities would not begin for many years, perhaps 15 to 25 years. As some annuities are paid, new annuities will be set up for payment in the future by new holders or investors. It might seem that annuity payments could bunch up and the volume become embarrassing. Actuarial experience does not indicate any danger of this condition developing; but if it did, the market for Government bonds to meet new annuity demands would take care of such a peak load when the public is educated to the merits of such annuities.

Ten thousand dollars worth of Government bonds bearing 2% interest, compounded annually, will increase to 15 thousand dollars in 20.47 years.

The advantage to the beneficiary would be the absolute safety of both principal and compound interest, and a certain income at a definite age and date.

The advantage to the Government would be the present removal from the market of this vast quantity of Government bonds; the postponement of cash interest payments; the spreading of the payment of principal and interest over a long period of years in the future (and history proves that debt becomes easier to pay with the lapse of time and economic growth); a large part of the payments would be postponed into the next generation of beneficiaries following the experience of annuitants; the buyers of Government bonds would receive the benefits of their investments and would not lose them; a dependable flow of purchasing power into the hands of the aged would be assured.

Insurance companies, creditors, and business in general would benefit by these annuities provided by the Government and would approve the plan. One of the great weaknesses of the insurance business is the default on premium payments by people who are retired or are out of employment. These Government refunding annuities would provide funds which would help in the payment of insurance premiums and other obligations. The interest rate would be substantially below that paid by insurance companies and savings banks. But the additional safety, stability, and dependability would be sufficient inducement and adequate reward.

If such a plan should be adopted, the refinancing of the present large holdings of short time debt by the banks would be greatly aided through the demand for these bonds for annuities. Such a plan would also make possible the restoration of dependable sound money and credit conditions in this country.

This plan of a Government refunding annuity based upon the deposit of Government bonds is an adaptation from old and proved annuity plans used successfully by governments to foster thrift, protect the savings of the public, and provide a safe income for thrifty people in their retiring years. The use of Government bonds in such large quantities to pay for annuities or create annuities is new. It would make no difference, however, whether the people deposit Government bonds and accept annuity contracts or whether they deposit money and authorize the Government to buy the bonds for them or sell the bonds to the depositors with a specific rate of interest to be compounded annually during the life of the annuity.

This plan should never be used by a Government to increase its borrowing power or its debts by annuities. It could be a large help in stabilizing and managing the present excessive Government debt. To guard against the danger of this annuity plan becoming another method of increasing the Government debt, Congress should designate the specific issues of outstanding war bonds that are eligible as investments for pension annuities and forbid the use of the pension annuity for borrowing new money. The use of this annuity plan or any other aids in managing the Government debt is futile unless the Government makes a determined effort to restore sound money and banking conditions, balances the budget, and proceeds to reduce the debt to manageable proportions as rapidly as practicable.

The plan can be adapted to any size of income or to any need or purpose of the annuitant. It can be adapted to retirement, unemployment needs, to pay college expenses, donations to charities, or provide for annuities for dependents. A large part of the estates created by this plan will be passed on to the next generation as the estates created by most annuity plans are.

If estates should be allowed certain exemptions from taxes as a reward for low interest rates, it is conceivable that many billions of Government bonds could be permanently removed from the market and locked up at rates of 1% or less. This has another appeal from the standpoint of both the national economy and the estates, and that is long-term investments in Government bonds and refunding annuities is the place for retired money. It is, of course, always desirable that savings, profits, and moneys of all sources be in productive enterprise to provide capital for employment and through productive use help to raise the standard of living. But some investors must own the Government bonds which have paid for the protection for all investors in the destruction of war. This form of the investment seems the best and safest disposition of the debt and its problems from the standpoint of both the investor and the Government.

The details of the above outlined plan of managing the national debt have been eliminated and the present purpose is to present the idea.

The "Chronicle" invites comments on the views expressed by Dr. Wright in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York (8), N. Y.

Bruce Wallace Now With Morgan & Co.

LOS ANGELES, CALIF.—Bruce R. Wallace, prominent for many years in the investment banking business in Southern California, is now associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange, according to Emerson Morgan, head of the firm.

Mr. Wallace was previously with Edgerton, Wykoff & Co. and its predecessors.

Tomorrow's Transportation

(Continued from page 66)

ery, glass and other products that form the very life-blood of Pittsburgh's prosperity. Think of the railroad dollars spent here in terms of jobs for your workers and the pay which those workers spent in your city—and it becomes easy to visualize the vital stake which you all have in keeping Pittsburgh's bands of steel dependable and strong.

We of the New York Central System have a great stake in the Pittsburgh area, not only through the Pittsburgh and Lake Erie, but as well because the New York Central is an important connection for Pittsburgh business. We are pleased to feel that we are a part of your community and we are happy that our Pittsburgh and Lake Erie associates are so active in everything that promotes the welfare of Pittsburgh.

That is why I come before you this noon to talk about the conditions under which your railroads work—and to suggest some of the things that must be done, if those conditions are to be healthy.

Co-operative Competition

Among Pittsburgh's railroads are three of the country's largest —the Pennsylvania, the Baltimore & Ohio, and the New York Central Systems. These great systems have been identified with the growth of Pittsburgh's industries almost from the beginning.

Toward one another, these three railroads are co-operative but at the same time maintain a healthy spirit of competition. I do not want to appear boastful but I think we and our friends of the Pennsylvania and the Baltimore & Ohio can justly take pride in having followed a "good neighbor" policy. We have tried to be good neighbors in competing with one another; to compete on a plane that helps Pittsburgh and helps all of us. We have tried to recognize, too, that keen competition for business is not inconsistent with co-operation.

An example of competition with co-operation is the Monongahela Railway. The Monongahela serves a rich coal territory in Pennsylvania and West Virginia, from which each of these three railroads draws a large volume of this coal traffic. The three roads have become partners in the Monongahela—a partnership that has functioned happily and smoothly, to the benefit of the partners and, even more important, to the benefit of all who use the Monongahela's services.

The Baltimore & Ohio trackage over the P. & L. E., for a distance of 58 miles, from McKeesport to New Castle Junction, is one of the larger co-ordination projects among American railroads.

With our Pennsylvania friends we have the Pittsburgh, Chartiers & Youghiogheny agreements, under which the Pennsylvania and the P. & L. E. both reach important territory, including Neville Island, without duplication of facilities.

These arrangements, however, do not lessen competition; but they do make competition less costly.

A Threat to Rail Health

While we are talking about railroad co-operation, I want to warn you that there is a serious threat to the ability of the railroads to work together as they have in the past. That threat is in the form of the railroad antitrust suit now pending at Lincoln, Nebraska. It appears as if the purpose of the Department of Justice in bringing that suit was to undermine our whole scheme of federal transport regulation, as it has been administered by the Interstate Commerce Commission since 1887.

To forestall the threat of this Lincoln suit and others like it, there is now pending in Congress the Bulwinkle Bill, H.R. 2536. We are appreciative of recent approval of this bill by this Chamber. This bill would enable railroads and other carriers to continue the present method of making rates, by conference with shippers and with each other, and also to make other kinds of agreements, provided the Interstate Commerce Commission approved them as being in the public interest. The passage of the Bulwinkle Bill is necessary, if we are going to have sound transportation in America.

War Underlines a Railroad Lesson

Co-operation, too, has been the keynote in fighting this war. All of our industries and all of our transportation agencies have worked, and worked together, as never before. Steel, coal and other industries; the railroads and other transportation agencies; and the civilian agencies of our Government—all have shown the country a new kind of teamwork. I suppose each member of this team looks upon his own contribution as the "backbone" of the support for the armed forces. Maybe we are all egotistical; but if so, it has its good points—this pride in a job well done. Because every one of us feels he is the "backbone," our armed forces have been able to get what they need to fight this war.

Right now, "redeployment" of our forces, as the military men call it, creates tight spots in war transportation and in the movement of civilian passengers. This redeployment of our troops is the most recent of a long succession of events that shows how your railroads have served as the giant assembly line for America's war machine. I am not going to burden you with statistics about how much traffic we have handled but I do think you would be interested in looking at war transportation from a little different viewpoint. That is, to look at how war's increase in the country's transport load has been taken up by the several forms of transportation.

In 1944, the freight ton miles handled by all agencies of transportation—over one thousand billions—were 503,000,000,000 more than they handled in 1939, which was 538,000,000,000. Of this staggering increase, the railroads carried over 405,000,000,000 ton miles, or **80% of the whole increase.** They had to handle two and one-fourth times as many ton miles in 1944 as they did in 1939.

The railroads in 1939 were carrying about 62% of the total freight ton miles handled by all carriers—including water, motor, pipe line and air—whereas in 1943 and 1944 their proportion was about 72%. The share of total ton miles handled by all inland water carriers, including the Great Lakes, fell from 18% in 1939 to 14% in 1944. The highway percentage dropped from about 8% in 1939 to a little over 4% in 1944.

War has thus underlined the absolute necessity for strong railroads because railroads, and railroads alone, have the capacity for the kind of traffic load that modern war thrusts upon a nation's transportation.

The Railroads' Place in the Future

Now, while war is still right in front of us, is a good time to begin looking toward the future. As a nation, we are thinking of the future, as never before. Widespread public interest in the San Francisco conference, in reciprocal trade agreements and in other great public issues affords healthy evidence of the determination of the American people to be idealistic but at the same time to be hard-headed and practical.

I venture to suggest that the country's experience with railroads in this war is sufficiently important to warrant every American asking himself, "What can I do to secure the safety of my country through keeping its railroads strong?"

To me, your railroads, given fair and reasonable consideration on the part of industry and the government, will have a bright future. True, they will come out of this war with facilities that show wear and tear. But they will also come out in improved financial condition and with a resolute determination to give the nation new and higher standards of service. And their purchases for improvement and rehabilitation will be a mighty force in producing jobs on America's production lines.

A Finer Breed of Iron Horse

I would like to mention one or two things about railroad improvements. Locomotives have always excited the imagination of small boys—and also of small boys after they have grown up. You have heard much about diesel, gas turbine and other oil-burning locomotives, all of which have their place in the railroad world; but I think it is also time to say something about the coal burners. On the New York Central we have been running, for over three months, the first of our new Class S-1 dual service freight and passenger locomotives. We have ordered 26 more locomotives of this type. It is a 4-8-4 type coal-burning lomotive with many innovations. The S-1 locomotive now in service has taken our heaviest passenger trains all the way from Harmon to Chicago, 925 miles, "with the greatest of ease."

With the Pennsylvania, the Baltimore & Ohio and several of our other railroad friends, through Bituminous Coal Research, Inc., we are co-operating with the coal industry in a major research project looking toward the development of a new locomotive—one with a gas turbine that uses bituminous coal as the basic fuel. In another project, several railroads are endeavoring to develop a high-power steam turbine-electric locomotive, also a coal burner.

Coal, after all, is the biggest and cheapest source of primary energy in the United States. The coal industry and other industries working with it appreciate the importance of bringing modern research and technology into the problems of efficient utilization of coal. I think we can look to an era that will bring into practical reality many new powers of "King Coal."

Applying War Lessons to Peace

During this war, we have learned how railroad capacity can be increased by the heavier loading of freight cars and by faster loading and unloading. This heavier loading also reduces railroad costs. You and all other patrons of the railroads have co-operated to the extreme to load cars heavier, and to load and unload them promptly. After the war, we are hopeful that as a result of your experience our war-time economies will continue so that the most efficient and least expensive transportation—rail transportation—then can be provided, to our mutual benefit and satisfaction.

We are looking forward postwar to the re-establishment and extension of our high-speed merchandise freight service. Similarly, in passenger service, to the time when the de luxe streamliner will be the general standard in railroad passenger transportation. On the New York Central System we hope to begin taking deliveries of the first of 300 new passenger cars we have ordered—and these 300 cars represent $22,000,000 worth—just as soon as manpower and materials are available.

America's Number One Transportation Problem

But optimism about the railroad future rests on an assumption. That assumption is that conditions of competition among the several forms of transportation will be reasonably equal. Those conditions were not equal before the war and will not be equal when the war ends, **unless we do something about it.** To establish equality of opportunity is America's Number One transportation problem—and it ranks high among **all** of the nation's problems.

The problem I am talking about seems complicated but its essentials are simple. Railroads own, maintain and pay taxes on their fixed "ways"—tracks, terminals and all that goes with them. The railroads' competitors, highway, water and air, on the other hand, do not own the great highways, waterways and airports without which they could not operate, nor do they maintain these fixed ways or pay taxes on them.

Railroads must raise private capital to provide their fixed ways. They must pay a fair return to investors—that is, if they are going to have credit and be able to secure more capital. They pay taxes on their fixed ways—heavy taxes. Fixed properties comprise three-fourths of the investment in American railroads. Of a total investment of about $25,400,000,000, only one-fourth, $6,600,000,000, is invested in equipment. The other $18,800,000,000 is the capital cost to the railroads of providing their own roadway. To own and maintain this roadway costs an average of $1,325,000,000 each year. In 1940, 30% of the gross revenues of the railroads was used to pay this roadway expense.

Public Capital in Transportation

As of December 31, 1944, the taxpayers of the country had invested in civil airports the sum of $1,027,000,000. This compares with private capital invested in the domestic airlines, as of June 30, 1944, of $129,361,000. You and I and the rest of the taxpayers had also spent $1,122,000,000 on navigation improvements in the Mississippi River System, up to June 30, 1943. Common and contract carriers on that river system alone, including the Federal Barge Lines, had invested only $54,000,000 in equipment; even allowing for the additional investment of private carriers, it is only a fraction of the public investment in fixed ways. Other billions are invested in highway improvements, all over the country.

These highway, waterway and air facilities, built with taxpayers' money, are tax free. Those who ship or travel by highway, by water, or by air, pay transportation charges that do not include anything for taxes on publicly-owned fixed property; whereas users of railroad transportation pay charges from which the railroad pays the taxes on its fixed property.

The railroads' privately-owned tax-paying facilities contribute to the maintenance of schools; police, fire and health departments and of other governmental services.

They also contribute, ironically enough, to such things as airports, highways and waterways, which are used by the railroads' competitors. And to add further to the inequality, these competing publicly-owned facilities increase the cost of fire and police protection and the like but they pay no part of that cost in taxes.

Here in Pittsburgh you have witnessed the growth of river transportation over a long period of years. Coal barges and other river boats plied the Monongahela, the Allegheny and the Ohio long before the federal government spent money for river improvements. Now this river transportation is an integral part of the industry of Pittsburgh. Data recently made available bring to light many interesting facts about transportation on these and other rivers.

On the one hand, many waterway improvements have been improvident and wasteful. These represent high-cost transportation; and most of the cost is borne by the taxpayers and not by the users. On the other hand, these same data show that other segments of our river transportation system represent economical transportation—transportation that is fully able to pay its way, including reasonable tolls for the use of waterways.

Can Public and Private Capital Live Side by Side?

If these public expenditures continue to be made in a way that undermines the soundness of the railroads, the country will suffer an irreparable loss. That loss might take the form of an impoverished and inadequate railroad system, or it might take the form of a railroad system kept alive only by Government subsidies. I do not think the American people want either of these things to happen. Most assuredly the railroad transportation industry does not desire subsidies.

Is there a solution to this problem? Can privately-owned, taxpaying railroads live alongside of Government-owned and tax-free highways, waterways and airways? This creates a challenge to every one of us Americans. The people of this country in the past have repeatedly demonstrated their sense of fairness and their ability to solve problems, once they understand what is involved and are given the facts.

This problem is not hard to see. In every community in America there are problems like the railroads' problem. Many of you, for example, gain your livelihood from this great steel industry, the very heart of Pittsburgh. You have seen the Government finance the construction of new steel mills, to augment the nation's steel capacity for war. It was necessary for the Government to build these new steel plants, just as it was necessary for the Government to build many kinds of other facilities, including necessary highway, waterway and air facilities.

But if the Government, after the war, were to operate these new steel mills in competition with your privately-owned, taxpaying mills, you would be greatly injured, or even put out of business. And you would also be injured if the Government were to sell or lease its mills to a competitor, for less than their true value. In our opinion the American way is the way in which this problem can be solved. With war plants, it is for the Government to sell or lease them to private industries, at adequate but fair prices. In transportation, the solution is to charge commercial operators who use publicly-owned highway, waterway and air facilities taxes and tolls enough to make the facilities self-supporting. If this were done, future extensions and improvements to our system of publicly-owned transport "ways" can be made on a sound, self-liquidating basis—not on the basis of political favors to attract votes.

Finding a Truly American Answer

How to arrive at a fair schedule of tolls and user charges for the many different kinds of users of highways, waterways and airways is a difficult technical problem. But here again American ingenuity is equal to the task. What we need first and most of all, is an active public **demand** that a solution be found.

I suggest that it is to your own interest—and your selfish interest, if I may put it that bluntly, with due apologies—to insist that your representatives in local, State and Federal government, find a solution, in the American way, to America's Number One transportation problem.

I know that the Special Committee on Transportation Policy of the National Industrial Traffic League, and other shipper groups, are carefully studying these and other problems. I think it is a healthy sign when our great users of transportation are giving their best efforts to insure sound transport. Under the American system, the man who pays the bill is entitled to ask for what he wants and to patronize the competitor who serves him best. But the shipper who pays the bill for transportation, whose own business is so dependent upon the soundness of the American enterprise system, is not serving his own interest if he attempts to shift a part of his transportation cost over to the general taxpayer.

Does the true interest of the shipper lie in getting all he can in the way of subsidized transportation, through the indiscriminate use of public funds? Or does his true interest lie in a system that will enable prosperous railroads to compete fairly and equally with highway, water and air carriers, all paying for what they get in the way of public facilities, including a fair share of the general tax burden? I suggest that each of you study that question and answer it in terms of **your own** interest, your interest in low rates for transportation, but also your interest individually and nationally in sound railroads.

Making the Most of Our Transport Tools

We in the railroad industry recognize that highway, water, air and pipe line transportation, as well as railroad transportation, perform essential services and are here to stay. Viewed in a broader sense, the railroad train, the truck and the bus, the ship and barge, the pipe line and the airplane are all tools of transportation. For some jobs, one tool is better than any of the others. For others, several of these tools may be used together, to give the shipper the best possible service.

What is needed is a national transportation policy, which in our system of competitive private enterprise will give us the right tool for each job in transportation. We shall not have such a policy until we solve our Number One transportation problem—until we put **all** transport competitors on a footing of equality of opportunity.

No city in America has a more vital stake than Pittsburgh in the shaping of such a transportation policy. Without it, you may see the bands of steel that link your industries to your markets weakened by uneconomic competition. In the long run, you may see both your shipping problems and your shipping costs increased. And on top of that, you may be asked to help foot the heavy tax bill caused by unsound transportation investments made with public capital.

But let **all** forms of transportation be placed on an equal, self-supporting basis—and each can then develop to the very limit of its economic usefulness. Under such a fair competitive policy, I am confident that you will see your railroads become constantly finer, faster, more economical and more efficient—fit partners in future as they have been in the past for the mighty industries of Pittsburgh.

Issues Rules on New Stock Transfer Rates

Revised Schedule Effective July 1

Carrying out the provisions of the new transfer tax law passed by the New York Legislature last March and approved by Governor Dewey, the State Tax Department on June 27 issued a ruling covering the new stock transfer tax rate schedule, which became effective July 1.

The new law integrates the emergency tax which was imposed on stock transfers since 1932. Although it reduces the burden on low-priced shares, under the legislation signed by Governor Dewey, there is no longer a "regular" tax and an "emergency" tax.

The new rate is fixed at 2 cents a share "upon all deliveries or transfers of shares or certificates of stock," except in cases where shares or certificates are sold. When shares are sold the tax is now one cent a share where the selling price is less than \$5; 2 cents a share where the selling price is \$5 or more but less than \$10; 3 cents a share where the selling price is \$10 or more but less than \$20; 4 cents a share where the selling price is \$20 or more.

In a notice sent out by the New York Stock Exchange to members, an apparent omission is noted in the law.

It will be noted says the communication that the revised rates make no mention of the rate of tax applicable to shares selling at \$20 per share. Obviously this omission was inadvertent and merely an error in draftsmanship as the intent of this amendment would seem clear from an analysis of the amended tax rate structure. In any event, under the general provisions of the stock transfer law a tax is clearly imposed on every sale of stock coming within the purview of the law and the only question raised through this omission is as to the rate of tax on shares selling at \$20 per share. In view of the obvious intention of the Legislature, it is our belief that the rate of 4c for each share selling at \$20 per share should apply.

Since the new rates are applicable to all sales occurring on and after July 1, 1945, of sales made prior thereto in respect of which delivery is not made until on or after July 1, 1945, the old rates of tax apply.

Greenman & Lasher Van Cleef Partners

Van Cleef, Jordan and Wood, 14 Wall Street, New York City, investment counsellors, announce the admission to partnership of William B. Greenman, Jr. and Halsey J. Lasher, to be effective July 1, 1945. Mr. Greenman has been associated with the firm for over 13 years and Mr. Lasher for about eight years.

Federal Suit Withdrawn Against Ins. Ass'n

Attorney General Francis Biddle announced on June 27 that the Government has dropped its anti-trust suit against Southeastern Underwriters Association, composed of 198 stock fire insurance companies. United Press advices from Washington stated:

"Mr. Biddle said the action to dismiss the suit was taken because of a recently-passed Federal law granting the insurance business partial exemption from the Sherman Act until Jan. 1, 1948."

Should Senate Defer BW Debate?

Special Correspondence of the Commercial and Financial Chronicle

WASHINGTON, July 3—In determining when to bring up on the Senate floor the Bretton Woods legislation, Senate leaders have to take into consideration the possible effects that sharp debate over the measure might have on the progress of United Nations Charter ratification through the Senate. Hearings on the World Organization Charter are to begin shortly. While the opponents of the Bretton Woods plan in the Senate are not numerous enough to defeat or even materially delay Senate approval of both the Fund and Bank, under Senate rules of debate they can do a lot of talking. This might be harmful, if occurring at the very time that the results of the San Francisco Conference are being sympathetically inspected in committee hearings.

July 16 has been suggested as the date for commencement of floor consideration of the Bretton Woods bill, which has already been passed by the House and was today approved by the Senate Banking and Currency Committee. On the other hand, for reason just reported, the suggestion has been made that the Senate debate and vote on the measure should be postponed until later this year.

It is easy to imagine what the Treasury's reaction to this suggestion is. No other country has as yet acted to ratify the Bretton Woods Agreements, or even considered the program in its legislative body. The world is waiting for Congress to make the first move. Even after Congress completes favorable action it will still take months, in all likelihood, for enough of the other countries concerned to act and the new institutions to be set up.

Jas. Sebold Partner In Neergaard, Miller

James A. Sebold has been admitted to general partnership in Neergaard, Miller & Co., 1 Wall Street, New York City. Mr. Sebold has been with the firm for some time in the Trading Department.

Electromaster Common Offered at \$8 Per Share

S. R. Livingstone & Co., along with Mercier, McDowell & Dolphyn, of Detroit, head a group offering 107,923 shares of Electromaster, Inc., common stock (par \$1) at \$8 per share to the public. All of the stock is issued and outstanding at the present time and was purchased by the underwriters from the Nash-Kelvinator Corp. Other members of the group are: Brailsford & Co.; Link, Gorman & Co.; First Securities of Chicago; Shillinglaw, Bolger & Co., all of Chicago, and White & Co. of St. Louis, Mo.

Squibb & Sons Preferred Shares on Market

Union Securities Corp. and Harriman Ripley & Co., Inc., head a group that is underwriting the exchange and public offering of a total of 150,000 shares of E. R. Squibb & Sons $4 preferred stock (no par). Of the total, 51,094 shares were offered July 2 at $108 per share and accrued dividends from May 1, and the other 98,906 shares are being offered by the company in exchange, on a share-for-share basis with a cash dividend adjustment, to holders of outstanding $5 preferred, series A, and $4.25 preferred, series B stocks.

The purpose of the issue is to provide additional capital for Squibb and to effect the retirement of all the series A and series B stock outstanding.

New preferred stock not exchanged under the offer, which expires July 12, will be purchased by the underwriting group and may also be offered to the public. Series A and B shares not exchanged will be redeemed on Aug. 1 at $107.50.

E. R. Squibb & Sons pioneered in extensive research in and development of penicillin, and its research department has developen a deep fermentation method for producing penicillin and has perfected its extraction and processing on a large scale. The company is the outgrowth of a business established in 1858, and manufactures pharmaceutical, medicinal chemical, vitamin, and household medicinal and toilet products. Lentheric, Inc., a subsidiary, sells perfumes, cosmetics and toilet preparations.

Newton in Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Harry J. Newton is engaging in an investment business from offices in the Cooper Building. In the past Mr. Newton was in business in Denver under the firm name of Newton Brokerage Co.

Canadian Securities

By BRUCE WILLIAMS

The preliminary manoeuvering before we enter the practical stages of the Bretton Woods Plan, at first glance is distinctly bewildering. Through the haze, however, it is possible perhaps to discern the suggestion of a pattern.

First the gold price in London is raised only very slightly with an accompanying statement that the change in no way affects the exchange value of sterling. Then it is suggested from London that the Canadian dollar is about to be revalued to parity with the U. S. dollar, because of the evident undervaluation of the Canadian dollar in relation to sterling.

This is followed by the British Treasury easing the restrictions on the use of sterling by holders in Central America and the Philippines, and enabling them to effect transactions in sterling in the New York market. Again it is mentioned that the ruling has no implication whatsoever as to the future sterling and dollar exchange rate and is in no way connected with the Bretton Woods Plan.

From all of this, the following deductions are intimated:

(a) Sterling is overvalued at the present level under existing conditions.

(b) Any change in sterling can have world-wide repercussions, many of which might be somewhat unpleasant.

(c) The new measures so far adopted and the suggestions proffered are not too important in themselves, but they compel fundamental thinking, which leads to consideration of implications of far greater import.

Before other and more far-reaching steps are taken, it would be well if the vital importance of the position of sterling in the world economy were clearly and bluntly defined. The Bretton Woods Plan can not be implemented until the sterling problem is solved. As it is such a great problem, it can not be handled in a petty or finicky manner.

Therefore, if an international credit is extended to Britain the amount must be sufficient not only to take care of the enormous amount of blocked sterling outstanding but also of sufficient extent to enable Britain to play her proper part in post-war foreign trade. This is essential in the interests of this country and to all others to whom healthy international commerce is not only an economic necessity but also affords the best means of assuring future world peace.

Turning to the market for the past week, there was a renewal of strength in the external section. High grades were firm throughout, and as currency fears abated, the volume of offerings from Canada gradually subsided. Albertas were slightly easier and dealings were almost at a standstill following indications that the implementation of the debt refunding plan might be a little more difficult than was previously believed. Transactions in Montreals on the other hand indicated a revival of interest. As previously mentioned, there still appears to be scope for considerable improvement in these issues.

Internals displayed a mixed trend. Although the buying of internal bonds continued on a fair scale, there were nevertheless for the first time in many weeks some evidence of a profit-taking and cautious liquidation. Although the Canadian dollar is strong enough in its own right, nevertheless it can be temporarily affected by its traditional and practical relationship with sterling, especially at its present level and in view of the large speculative position that has been built up on expectations of its imminent restoration to parity with the U. S. dollar.

With regard to future prospects, the high grade external issues can move definitely higher in belated sympathy with the strong trend in similar domestic issues. Lower-priced issues such as Montreals and Saskatchewans should also share in such a movement. It should be emphasized also that in view of the current perplexity with regard to currency matters, the multiple pay feature of most Canadian external issues is of no mean advantage.

Rosenbaum & Gitterman N. Y. Stock Exchange Firm

Rosenbaum & Gitterman, members of the New York Stock Exchange, will be formed with offices at 39 Broadway, New York City, effective July 10th. Partners will be Francis F. Rosenbaum and Joseph L. Gitterman, Jr.; both are members of the Exchange.

Mr. Rosenbaum, who has previously been active as an individual floor broker, has recently been on war duty. Mr. Gitterman has been active as an individual.

OUR REPORTER'S REPORT

What holds promise of proving one of the biggest quarterly periods in the new issue market got under way this week with considerable gusto. Yet, notwithstanding the thin fare which investors have been experiencing in the way of corporate securities over the last six or seven weeks, there was a tendency to look the field over closely and initial operations were marked by an apparent absence of any tendency to rush in and buy.

Monday brought to market a total of more than $103,000,000 in new offerings in the form of mortgage bonds, debentures and preferred stock. The $25,000,000 debentures, a 2¾% issue of the Union Oil Co. of California, went quickly, priced at 101, and moved to a small premium.

But it was reported around that the company's $25,000,000 of 3.75% cumulative preferred stock was still available on the holiday eve. That issue was priced at 100. Institutional investors, in some instances, were said to be showing interest in the stock, but their preference was for the debentures.

Louisville & Nashville Railroad's $53,119,000 of first and refunding 2⅞s, series G, appeared to run into considerable resistance for the moment, but demand was expected to improve, perhaps with the holiday out of the way.

The first issue sold at competitive bidding on the current marketing campaign, consensus seemed to be that it was priced rather fully at 98½. Two competing groups were quite close in their bids, both naming the same coupon.

Two Railroads Asks Bids

Railroads bid fair to dominate the summer new issue bond market what with two more carriers having put out calls for bids on sizable issues.

Texas & Pacific Railway has invited bankers to submit tenders, to be opened July 11 on $39,000,000 of new general and refunding mortgage bonds series E, naming the interest rate as well as the price. At least three groups are said to be prospective bidders for the issue.

Delaware & Hudson also has called for bids, to be opened July 17, on $50,000,000 of first and refunding series A, due 1980. The new issue will supplant and consolidate a number of smaller obligations of the company and its subsidiary units.

Rail Equipment Trusts

Most of the railroad equipment trust issues which have come into the market recently have been of small proportions and absorbed by banks for their own investment accounts.

The forthcoming Pennsylvania Railroad offering of $10,000,000 of serials to mature in 15 annual instalments, may prove the forerunner of larger offerings of this type.

Pennsylvania has called for bids to be opened next Tuesday; it is expected that competition will be lively. This is a part of a total of $18,135,000 which the road contemplates issuing under its trust plan Series Q.

C. & O., in lively bidding, awarded an issue of $1,500,000 of its equipment trust certificates at a price of 99.754 for 1½s at a cost to the company of 1.494%.

Two Industrial Preferreds

Dealers reported keen investor interest in two industrial preferred stocks brought out on the eve of the Fourth of July holiday.

Burlington Mills Corp.'s 150,000 shares of 4% preferred, price at $104 and accrued dividends was said, in dealer circles, to be encountering satisfactory reception.

Meanwhile Elliott & Co.'s 40,000 shares of 5% cumulative preferred, $50 par, priced at $51 for public offering, was reported all sold and books closed.

Bank Offers Common

Holders of the common stock of the Manufacturers Trust Co. of New York have been extended the right, until the close of business on July 23 next, to subscribe for new common stock at the rate of one new share for each four shares now held.

A banking group is standing by to underwrite any portion of the 412,500 shares which remains unsubscribed on the closing date. Proceeds will be used to retire 356,990 shares of outstanding convertible preferred.

Meanwhile the Colgate-Palmolive-Peet Co. is offering to holders of its $4.25 preferred stock the right to exchange those shares for 125,000 shares of new $3.50 preferred until July 10 next. Thereafter bankers will take up any unexchanged portion for public offering.

Pettit, Bausman & Co. Formed: Consultants

Karl D. Pettit & Co. announces the formation of the partnership of Pettit, Bausman & Co. to specialize in engineering and economic consultations and similar work done heretofore by a department of Karl D. Pettit & Co. Partners of the new firm are Karl D. Pettit, R. F. Bausman, A. C. Boni and D. H. Gardener.

Mr. Pettit, senior partner of Karl D. Pettit & Co., will be senior partner of the new firm. Mr. Bausman, associated with Karl D. Pettit & Co., was Vice-President of the Eastern Division of General Mills, Inc., and Manager of their New York Export Office. Mr. Boni, an economist, has been in charge of market and economic research for Karl D. Pettit & Co. for many years. Mr. Gardener has long been associated with Karl D. Pettit & Co.

When and How Do Figures Lie?

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truth, and less dumb consent, among the governed.

As human society faces the need for adjustments, to meet new conditions that are determined, chiefly, by growth of population as the end and by new and competing techniques as the means[2], history offers few if any lessons of constructive value in organizing human and other physical resources for the future. It is science, with its objective search for truth, that can make our long story short and enable us to use foresight instead of hindsight on the path to progress. Few historians deny these limitations on the value of history; many openly assert them. For as flight was not learned by men from the death of Icarus, so social progress is not mapped by history.

In history we find many false alternatives with no way of distinguishing them from the true; and we are never able to resolve any of these dilemmas by historical **post mortems**, not even when they are adorned by those statistical data which make short stories so long. Whether we are pointing with pride or viewing with alarm, there is no rational basis for the application of statistical experience tables or graphs to economic problems as these are applied in business enterprise. In a social science, we will never learn from experience for the simple reason that experience at best has only negative lessons to teach.

As one capable historian has put it, there is no possibility of scientifically establishing any conclusions from the trials and errors of society, for the conditions of these so-called social experiments cannot even be adequately described, let alone controlled and repeated for confirmation as necessary. We learn social results without learning social causes; and until science comes to rescue us from the mire of tradition with its hypocrisies and shibboleths that are somtimes euphemized as "mores", we keep right on making the same old mistakes until they take on the aspect of an "economic law" allegedly proved by history—or by the statistical "econometrics" which the author of "The Road to Serfdom" has sarcastically termed "scientism"[3] and which was so objectively (?) employed by the late-lamented T.N.E.C. to demonstrate the virtues of Keynesian, New Deal pump-priming to create "outlets for savings." This "scientism" has, if we may proceed to bring Herbert Spencer's aphorism down to date, become "the great political superstition" of the New World Order, to wit, belief in the "divine right" of experts as public planners.

The so-called "laws" of social "culture" have been dignified, alas, not only by such portentous fatalism as Oswald Spengler's "The Decline of the West", a philosophy now refurbished in the Russian revival of economics as "historical materialism" (formerly the "dialectical materialism" of Karl Marx, but also by such an estoeric compendium as that 1942 Symposium of the American Association for the Advancement of Science on "Levels of Integration in Biological and Social Sciences," which is directed toward the thoroughly misleading and false analogy between the "integrative levels" of the individual organism and human society.[3a] This fallacy has been indicated by the present writer in pointing out that evolution has nothing to do with morals[4], that is, with the basis of behavior at the "social level". As so well defined by Darwin himself, ethical considerations are based entirely upon the "short run" of the individual life cycle wherein motives (purposes) are imposed by the reproductive necessity, with freedom of choice confined to means (not ends).

Freedom in human society, it will here be contended, is therefore a development, not of evolution, but rather of revolution, in institutions and "mores". Changes, not in anything of nature (of heredity or environment), but in the changeable artifices of language and mathematics employed at the "social level" in dealing with the unchangeable factors of nature, (the factors that cannot be politically compromised) are involved. So it is not to destroy the law—the "mores" or the statutes of either a Caesar or of majority rule — but rather to fulfill the need for having these institutions constitutionally grounded on the truths of natural laws as the only possible assurance of peace with justice, that it becomes necessary to seek a comprehensive reply to Pontius Pilate's rhetorical (to him!) query, "What Is Truth?" Pilate was, indeed, then dealing with a revolution, not an evolution, in moral development!

A good way to epitomize all this in a convincing way is to point out the indispensability of the literature of objective, physical science as against that of human history. The existing population of the earth could live happily ever after if every one of our history books were burned and content forgotten. But humanity would forthwith perish in great numbers from starvation and disease if the technical records of science were fully destroyed. Great difficulty of survival would ensue, even though every effort were made to recall the content of science. It is science, not politics with its illusory assumption of kingdom and power and glory among men, that spells progress. (Cf. "The Financial Situation," C. and F. Chronicle, June 7, 1945: "Neither agreements reached at San Francisco nor mechanisms there devised will have much bearing on the course of world affairs or in the maintenance or breach of world peace.")

Mathematics and Morals

In social science, if objectivity in justice cannot be assured by knowledge of historical events, neither can it be assured by subjective, egocentric intents or "free will" choices. Not the historical event, nor yet the subjective intent, but rather the objective content of science, constitutes the truth that can afford social justice and freedom. Parables, for example, are not true; but they may reveal truth, uproot hypocrisy, and help put sense before sentiment in guiding behavior, if they are truthfully applicable. Upon truthful applicability depends the service of science; and in science mathematics is functioning much as does a parable. It is, in itself, empty and truthless; but when its symbolism is applied, in the analyses of the sciences and in the syntheses of the arts, mathematics becomes the foundation of modern progress and the critical factor in social ethics and institutional morality.

Justice, and sovereignty in its administration, rest upon constitutionally rendering to the state full control of standard units for the employment of numbers in measurements of all kinds, not the least of which involves monetary control. It is not without significance, indeed, that Justice is impersonated in art by a blindfolded holder of the most characteristic instrument of science, a pair of scales. "It is very interesting", said Sir Arthur Thomson, Scottish scientist, "that Clerk Maxwell should speak in one sentence of 'those aspirations after accuracy in measurement and justice in action, which we reckon among our noblest attributes in men.'" To this Lord Kelvin has added: "When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot . . . you have scarcely advanced to the stage of science."

"To attain invariant relations we must be able to isolate our factors or vary one at a time . . . When our analysis is thoroughgoing, as it generally is in physics, one or two samples are as good as a million", says Dr. Morris R. Cohen in his "Preface to Logic", just published. In the social field, where such controls are lacking, "statistics cannot take the place of analysis, and in fact acute social analysts have contributed much more to our understanding of social phenomena." Why? Because "we do not always get nearer to the truth by increasing the number of cases." By averaging large numbers we can minimize errors of observation, but not of method or instrumentation. The flaw in statistical averages (and in percentages based thereon, as in the "Little Steel" formula or in farm price "parity" formulas) lies in the fallacy of composition[5]—of judging the whole by parts which are not homogeneous in nature, that is, are not observations of individual factors isolated to afford "thorough-going analysis." There can be no statistical escape from the necessity for factor analysis. History proves exactly nothing, for it is the very kind of scripture the devil himself can quote. "There are three kinds of lies: White lies, damned lies, and statistics", surely applies where adequate analysis is lacking. Statistical correlations seldom afford a proper basis for analysis. With analysis figures may not lie; but without it they certainly do. And in either case statistical records are at best needless in social analyses. In omitting statistical treatment from social studies, what Dr. Cohen calls "acute social analysis" cannot, however, omit mathematics. This essential factor in science is very much in need of analysis in social relations, because of its involvement in moral or ethical problems. "Like any other science," says Dr. Cohen, "ethics must be rational, i. e., able to give reasons . . ." As we have seen, these reasons cannot be derived statistically or historically, nor yet esthetically. Rather must they originate in such reasoning as that introduced by the Darwinian definition of moral standards as arising in physiological and biological relations. These are a **priori**[6] facts as against those derived by what is known as "scientific methodology" in which measurement by the use of numbers is introduced, with results that are **a posteriori**, that is, are derived by "empirical" methods. These scientific observations in turn may become **a priori** considerations in deriving the "facts" of other fields by steps which may be said to become finally integrated in the system of prices with which every social science must deal before it can explain the behavior of human society or deal with the social institutions involved, particularly with monetary problems which have long been so deeply imbedded at "the root of all evil" in human society.

To trace such evil through the intricate sequences of valuation to its logical sources in fallacy, let us recognize at once that the use of numbers as they express measurement is universal among civilized men; and it is in this field, ultimately, that we find those problems of truth and falsehood which lie at the root of the moral issues upon which human liberty of action in a social context depends.

At this point the "great" philosophers, from Plato to Poincare, have introduced an elemental factor of confusion by getting the cart of formal logic or mathematical methods before the horse of that basic element External Reality, upon which all reasoning must rest. These philosophers have given an absolute supremacy to mentality and correlatively, a validity to mathematics quite apart from its exclusive applicability to physical realities (to the exclusion of introspective, psychological considerations).[7] Motives are psychological, not physical; and they are not mechanically measureable as a "force" affording a "category of importance" that can be related to the definitive procedure of enumeration via physical units. Not desires or wants, but only physical facts related to the physical necessities of life can be dealt with mathematically with any meaning; and these **must** be so dealt with if behavior is to be guided by sense instead of being "emotionally polarized" as are the "human facts" of preference upon which a tenuous hope for a "normative" science is postulated by Cohen. Such "science" should be known for what it is, wishful thinking.

All footnotes at end of article.

Money Not a Standard of Value

We see, then, that however necessary mathematics may be to human life in its modern social phase, it is not a part of External Reality—of those phenomena of nature whose consistency and dependability have to be translated into our system of thought to make such thought rational and so socially useful. Mathematics is rather an essential means of developing this thought system, in communicable form by a symbolism which is but an invention of the human mind used in the approximations which we call measurements.[8] To be usefully consistent and capable of relating all our observations of nature to each other and centering them upon our own problems, so as finally to "price" the elements of our economy correctly, this symbolism must be articulate, that is, fully interrelated by being referable to a single basis of observation for all scientific data. Such a basis is the sense of sight for which all scientific instruments are "calibrated" for reading.

In this field of measurement, involving valuation by numerical expression, a certain degree of precision is as essential as it is in the more primitive and less precise field of language by way of the dictionary. If "there is something rotten in Denmark" which is responsible for misunderstanding, that leads to social conflicts, and science is to be invoked for an understanding, this problem of accuracy, or definition, is directly involved. Precisely as Father Dempsey has said (Commercial and Financial Chronicle, Feb. 22, 1945), such accuracy "can reasonably be demanded of a price structure." As a dominant factor in this final integration or articulation of values in terms of numbers (prices), it is to be noted that money is not, in any of its forms, calibrated like a yardstick. It must be, therefore, a medium of exchange only, not a standard or store of value; and price is not synonymous with value. Oscar Wilde gave point to this distinc-

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tion by defining a cynic as "a man who knows the price of everything and the value of nothing!"

Accuracy, however, implies inaccuracy as a difficulty; for the use of numbers depends upon the more or less crude device of imposing purely artificial divisions upon the elements of our environment. These divisions are the "units" of measurement without which numbers could not be employed with any meaning. Accuracy, in short, is not inherent in science; it has to be put there and maintained by meticulous methods which are invariant as they convey knowledge by way of figures which, as approximations, may deviate from the units of measurement employed only by random errors and never by any progressive departure (as by "lower and lower prices") from the identity of these units. At all times and places every unit involved in every value expressible by numbers must be the same; and no treatment of any value system can reasonably depart from such a standard if we are to know, scientifically, the truth about the real values in that system. Behind the errors of individual cases must lie the absence of variation in the standard unit or units—the "yardsticks"—involved.[9] Without such invariance any system of numbers is meaningless; and that includes prices, though this does not mean, even when they may prove to be reasonably accurate representations of values, that prices are simple summations rather than complex computations. Certainly it does not mean that prices determine values. Even with neutral (stable) money, prices can represent both cost and value only in a purely theoretical market equilibrium. Otherwise they must represent whichever is greater, with **caveat emptor** (and **caveat vendor**, too) controlling each and every pricing operation, individually.

But whatever the uncertainties involved, a background of "certainty is a primal need of the intellectual life", says Dr. Cohen in his discussion of logic. "Scientific procedure . . . cannot go on without assuming (!) that the relations we deal with prevailed before we discover them and are independent of our knowing them", an assumption which is elemental, (Cf. discussion at footnote 7, above) obviously, in all organic response to environment, no matter how primitive the organism. It is not peculiarly human to have faith that "God's in His Heaven, all's right with the world." It is quite human, however, to have difficulty with that faith because, in the "world" of human mental processes and social institutions, the situation may be far from right. So elemental is such faith, however, that, as Dr. Cohen says, "if someone were to maintain, as Poincare once suggested, that the laws of nature are themselves changing, then we should look for the law according to which such change takes place."

We should be careful, however, not to mistake changes in our thinking, due to errors or inconsistencies, for changes in these natural relations which are definitely unchanging and unchangeable; and we cannot avoid such error unless we maintain complete symbolic consistency in every use of numbers. It is this "culturalistic fallacy,"[10] this assumption that no such inconsistencies have materially affected social behavior, that has characterized the usual statistical and historical analysis of social problems. We cannot study human society as if it were an ant hill devoid of untruths and illusions, —specifically, for example, the money illusion — in producing aberrant behavior.

"External Reality"

Even such a student of logic as Cohen seems to fall victim to the confusion of the philosphers, already noted, in making the mind transcend Reality. It is a confusion which lies at the heart of what he describes as "an old controversy between those who hold that facts of value are purely subjective, that is, identical with the mere fact that they are felt, and the view that there is some real difference, as a cause or ground for the distinction, between the valuable and the nonvaluable." He reveals this inversion of thought and reality when he alleges that "the fundamental fallacy of positivism is the assumption that facts of physical perception are in themselves definitely determinate and thus objective in a unique sense inapplicable to realms of value or pure mathematics."

We do not need to define "positivism" or defend it as devoid of fallacy in order to point out the fallacy in Cohen's statement, that is, his idea that "realms of value" are a matter of "pure mathematics" and as such have a reality as objective as "physical perception". By denying that perception is "definitely determinate" he seeks to evade the appearance of any assumption as to a distinctive reality and so to substitute the metaphorical hen-or-egg-first—or the elephant's-tail-or-trunk-or-leg argument for that of the horse-and-cart figure wherein the problem of precedence—of causation—is inescapable. In the case of physics, however, which is the one science in which "our analysis is thorough-going," he has plainly asserted the precedence of reality as an ineluctable "assumption." Yet he as clearly recants this by saying that "the prejudice in favor of reality . . . is based on an inadequate analysis of the nature of science" which "liberates us from the prison house of the actual" to which, he says, the "positivists" fallaciously cling.

The difficulty seems to lie in stating the limitations of science—in defining that from which it can never liberate us. In resolving this ancient enigma, what needs to be said is that if words are to have meaning they cannot be universally inclusive in definition. Things that are "real" cannot also be "ideal," and **vice versa**. As between that which is objective and subjective, there stands Aristole's law of the excluded middle; for such an ineluctable implication as the existence of physical relations and entities (a round world, for example) independent of knowledge or knower (our concept of the world may be flat), is properly not an assumption, but a fact. It may be **assumed** only that external, physical reality is **not** a fact; as a fact it is accepted, not assumed. Such a basic truth, that can be seen as a "necessary assumption," is not an assumption at all; nor is its denial, that might be called a "fundamental fallacy," a fallacy at all (at least not in the formal sense of a paralogism), for it has not involved any inferential thought with the possibility of error in logic.[7] If, as Dr. Cohen says, "there is no meaning without some element of constancy in the field of variation," then the element of constancy or any necessary implication thereof can be no more "convenient assumption" when it plays its part as an axiom or starting point for scientific procedure. In any field that employs numbers and which is therefore physical if the numbers are employed with any meaning, this element of constancy is ineluctable.[11]

By ignoring the validity of these contentions, which he has admitted for physics, Cohen is attempting to rationalize current social "science," with its imaginative "mathematical field" based on esthetic preferences called "value judgments" and employing a sixth sense to produce "psychic income." Economics, in contrast with other science, has, alas, reverted to the obsolete definition of "objective," held in the Middle Ages by Duns Scotus, to mean the same as "subjective."[12] In short, Cohen is cashiering the dictionary definition of "objective" as "that which belongs to or proceeds from the object known and not from the subject knowing." The evidence of this is unmistakable in his reference to Dewey's "Studies in Logical Theory" (p. 227) where this incongruous duality in "value"—this subjective "objectivity"—is set up as "either ethical or economic." Allegedly involved are conflicting "ends" requiring "ethical" choice, thus excluding from moral problems all considerations of objective science as a guide in choosing from among competing economic **means** that are directed to the same objective physical, **ends**. By a mere fiat, a **petitio principii** in definition, means are called ends to be chosen esthetically (not as economical means). Since means are said to be implied by the "end" chosen, the only judgment involved is reduced to the realm of esthetic "values," socalled.[13]

The truth is that only physical facts are objective or definitely determinate in that they are not subject to any possible error. "Seeing is believing"; sensation does not involve any such thing as fallacy, i. e., failure to apply "pure" mathematics consistently to the "realms of value" which are, in truth, real and so not at all mathematical. The facts of nature may not "stream into empty minds"; Dr. Cohen says they do not. But, that which keeps the mind from being empty at the stage of maturity which he conceives when he makes that statement, is a content put there in infancy by a highly stereotyped system of education whose "three Rs" have the facts of nature in them only as an incident. We are not schooled in the elements of existence; like any other organism we see and feel them for ourselves, individually, beginning with our first breath and ending with our last.

To be or not to be is **not** the question; science is not magic. It is not revealing the nature of the infinite or the infinitesimal—the Final Cause. What we have to get and keep in **mind** is wholly a matter of the artifices of language and mathematics by virtue of which we can "know" vicariously—that is, know through the observations of others. Thus knowledge of values may be socialized—or communized, if you will—by "education," once real values have been brought within the realm of mathematics in which so many impurities—so many fallacies—are apt to develop.

Science, Economics, Politics

It is what the mind (the ideal) does with the physical sensation (the real) that is liable to err. Truth is objective, not subjective. True values are not mathematical; they are real. For social purposes we express them mathematically. That is why it is peculiarly human to err, not willfully, but intellectually, in a self-deception that is easily corrupted into superstitions that can be exploited for personal gain. Such is the nature of the "money illusion"—the notion that a "standard" of value can be freely chosen and changed at will, by law. The Constitution could not, and does not, attempt to confer any power upon Congress to define values or standards of value. No such language is employed. To "fix the value" of money can only mean to issue money (under the **Legal Tender Decisions** this means **any** form of money) under such restraints as may seem competent to maintain a fixed relation to realities—to real values in trade.[14]

The illusion of a monetary "standard," such as gold measured by weight, was high-lighted by the "sly look" of Stalin when he told Eric Johnston that only "capitalistic" countries are thus obsessed; Russia has consistently refused to accept gold, and undoubtedly will continue to do so while following the lead of Lord Keynes in inducing this country to "stabilize" exchange by continually playing the losing side of a governmentally manipulated gold market in support of the "gold standard" towards which the "debtor" countries contrive all the "flexibility" they desire.[15]

Thus are our illusions exploited for gain by serving as an "opiate of the people," to fool most of us most of the time, by camouflaging the "forced saving"[16] of the bank-credit system which has been so effectively employed in "developing backward countries" by Anglo-American financing in imperialistic foreign investment. Well has Father Dempsey, referring back to the scholarship of Scholasticism, condemned Lord Keynes' vagaries in disguising this modern usury with "key words—for example, profits, savings, investments—(which) appear in his works in esoteric senses," and with "elaborate analysis of the course of prices and interest under such conditions (of "forced saving" through bank-credit), as would have seemed no more worthy of their (Scholastic) attention than the analysis of an economy in which most incomes were built up by theft."

Constructive criticism of Keynesian apologetics in the field of usury, however, requires a positive, alternative theory of interest and capital value that has been conspicuous by its absence, even in the so-called "positive theory of capital" evoked in opposition to Marxian analysis by the "Austrians" of whom Hayek, the author of "The Road to Serfdom," is a conspicuous example today. We require a theory which dismisses without trace the "inescapable conclusion from the Keynesian analysis that interest is the villain of the piece"[17]—a theory which transforms interest from the "bete noire" into the "sacred cow" of human industrial society.

Such a theory seems essential to constructive developments in political economy to fill the urgent need of the day for defeating those notions which, with the soft pedal on competition, give lip-service to free enterprise.[18] On this "road to serfdom" our problem is allegedly only a matter of the degree of government activity and control. We are given no alternative for public spending to fill out the deficit in employment which may obtain at any time under present, unregenerate, financial practices. No better expression of this situation has been offered than in a Canadian broadcast last summer by George McCullagh, publisher of the Toronto "Globe and Mail," when he said:

"While private enterprise has failed in the past on many occasions, and we have had such bad

All footnotes at end of article.

management of affairs that hunger stood alongside luxury, I don't think the remedy is to abandon all that is good to get rid of some evils. I would, on the contrary, be bold enough to defend capitalism in the true meaning of the word, not the distorted financialism we have seen practiced in the name of capitalism. . . ."

Competition and capitalism are what cannot be changed; banking methods are what can be changed. We'd better soon develop the wisdom to know the difference lest we throw out the baby of human liberty with the post-war bath water for lack, not so much of the courage, as the understanding necessary to undo the safety-pin and make the changes needed. Further development of the theory of interest and investment presented last December in the "Chronicle," will demonstrate, I think, that under the definitions of science here presented as applied to modern problems in valuation and cost accounting where "capital" is involved, sticking to these principles that make truth into science can turn the trick of dismissing faulty theories and cultivating the science of living together and working together in competition, in the same world, at peace.

The nidus of a valid social science lies, not in the causes of war, but in the causes of peace. If we hope to become the "salt of the earth" we shall have to neutralize the acid of competition with the alkali of science. Only good sense can pave the way to good will in human society.

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1. This paper outlines what seems to the writer the logic of science in social development, an analysis provoked by Father Dempsey's remark ("Commercial and Financial Chronicle," Feb. 22, 1945) that a "5% natural interest rate (could never) be a matter of rigid contractual justice" as between individuals, on which there is agreement, but which he says follows from his idea that analysis of the physical processes of human existence "cannot yield a numerical natural interest rate," as to which there may be some misunderstanding. No physical processes are numerical; but in analysis they have to be so stated as a matter of "science."

2. Hicks, in his "Value and Capital," puts the cart before the horse, as so well indicated by Father Dempsey, when he alleges that the Industrial Revolution has been "induced by the unparalleled rise in population." Here is an apt example of the complete inability of the historical method to distinguish between cause and effect—between means and ends.

3. See "Scientism and the Study of Society" in Economica, Vols. IX, X, XI (1942, '43, '44) by F. Hayek. Fr. Wellmuth of Marquette University traces "scientism" back to the days of the Schoolmen, in "The Nature and Origin of Scientism." Marquette Press, 1944.

3a. Note the implicit acceptance of this delusion of historical grandeur as the basis of "reason and truth" in "The Symbol of History" on p. 8 of Raymond Fosdick's Review for 1944 of The Rockefeller Foundation. It is vital to realize the cogent refutation of the Fosdick idea, that (p. 13) "in their intellectual life as well as in their physical life, nations and groups are . . . cells in an organism," which has just been offered by Dr. Alex Novikoff of Brooklyn College in a paper (in Science, March 2, 1945, p. 209-215) on "The Concept of Integrative Levels and Biology" in which it is pointed out (p. 214) that "a sharp separation of the two levels—biological and social—must precede a fruitful discussion of how man's society can be kept free and democratic." Lord Acton's famous postscript, to his letter of protest against Bishop Creighton's doctrine of Divine Right, was significantly "directed to persons about to write history—don't!" A careful review of the philosophy of history is presented in "The Jour. of Phil.," vol. XXXIX, p. 35, Jan. 15, 1942.

4. "Commercial and Financial Chronicle," Dec. 14, 1944, A Theory of Interest.

5. The dictionary example of this fallacy is highly apropos: "If my money bought more goods I should be better off; therefore, we should all benefit if prices were lower." Compare this with Philip Cortney's idea, offered in "The Chronicle" for February 8, that "the best means to distribute income and wealth is by lower and lower prices"; or with the notion set forth by Alexander Hamilton that coining of mills (.1 cent) would yield lower and lower prices and so benefit the poor! Compare it also with the OPA notion that to dictate low profits and wages and prices is to control inflation; or with the New Deal idea that to limit production by statute, as by short hours or by killing pigs, to keep prices up is to control deflation!

6. It is to be noted that this is not the too often accepted usage of **a priori**. But "reason can produce material conclusions only if it starts with material premises," says Cohen in noting the "extreme reaction" to the "excesses of Kantian and Hegelian absolutism." Their introspective philosophy should be identified with the "solipsism" of today against which the usage here employed is directed as a tacit protest.

7. An example of the "egocentric predicament" of the philosophers is the Cartesian "cogito, ergo sum"; I think, therefore I am. This should read, by inversion, I am (human); therefore I think. Again, there is the dictum of Poincare in his "Foundations of Science" (p. 209), which should also be reversed to be true: "Beyond doubt a reality completely independent of the mind which conceived it, sees or feels it, is an impossibility."

8. Cf. "Geometry and Experience," in the "Scientific Monthly," January, 1945. Also Newsom, in "Science," July 11, 1941: "Many persons, even scientists, have developed a certain awe of mathematics. For them it may be surprising to read Bridgman's statement: 'It is the merest truism, evident at once to unsophisticated observation, that mathematics is a human invention'."

9. Among mathematicians who have turned to social science, none has been more notable than Vilfredo Pareto, who escaped the illusion of value in money to ask: "Underneath the actual prices on the exchanges, prices varying according to the exigencies of time and place and dependent upon an infinite number of circumstances, is there nothing which has any constancy or is in any degree less variable? This is the problem that political economy must solve."

10. Cf. "The Criterion of the Good State," by Prof. F. S. C. Northrop, Yale University, Department of Philosophy, in "Ethics," April, 1942.

11. Cf. "Science; Study of Invariables," by Lt. Commander Oliver Scott Reading, in "The Am. Scientist," Jan., 1944.

12. See Webster's New International Dictionary, 2nd ed., unabridged, p. 1679.

13. As against a realistic epistemological dualism, Cohen is employing what amounts to an idealistic epistemological monism; essentially that of Berkeley, despite his (Cohen's) admission of external reality in physical phenomena. (For definition of terms see Rune's Dictionary of Philosophy, p. 93.) This type of evidence of truth is sharply excluded under the rules of evidence in court testimony, where "seeing is believing." What cannot be seen can be measured and expressed in numbers only by translating it into terms of visible phenomena. This bars a social science of the current hedonistic mien which is typified by the philisophy of Lord Macaulay who conceived of man as a pleasure machine. In criticizing Machiavelli he said: "The great principle, that societies and laws exist only for the purpose of increasing the sum (sic!) of private happiness, is not recognized with sufficient clearness." Deservedly this has drawn sharp criticism from Prof. L. J. Henderson of Harvard. In an article on "The Study of Man," (in "Science," July 4, 1941) he asks: "How can the sum of private happiness be measured? Assuredly not with any instruments or any procedures that were at the disposal of Macaulay. Is it not evident that Macaulay's 'great principle' and his 'purpose' of the existence of societies are both expressions of his sentiments, and that 'the sum of private happiness' is, in the sense of the logic of modern science, a meaningless phrase?"

14. See "Monetary Experiments" by Prof. Richard Lester (Foreword by Prof. E. W. Kemmerer), Princeton Press, 1939, p. 29. "In 1817 Ricardo took Adam Smith to task for failing to follow 'his own principle in his argument on colonial currency' by not simply 'ascribing the depreciation of that paper to its too great abundance.' . . . Ricardo also agreed with Benjamin Franklin on the advantages of an economical or non-metallic money. Early in the nineteenth century Ricardo wrote:

" 'The introduction of the precious metals for the purpose of money may with truth be considered one of the most important steps towards the improvement of commerce and the arts of civilized life; but it is not less true that, with the advancement of knowledge and science, we discover that it would be another improvement to banish them again from the employment to which, during a less enlightened period, they had been so advantageously applied.' From 'Proposals for an Economical and Secure Currency,' in Collected Works of Ricardo, p. 404." See also Prof. Anatol Murad's book, "The Paradox of a Metal Standard"; also remarks of Hon. Fred L. Crawford on coinage in Congressional Record, Vol. 86 (1940), Appendix, p. 1088, "Blundering with Gold."

If gold and/or silver "standards" of value are "relics of barbarism," the idea certainly is not a brand new "scarecrow" devised by Lord Keynes! The good Lord is not the only and original thinker on monetary matters.

15. It is authoritatively revealed that the Orange Free State is about to release, from newly prospected mines, a new flood of British gold upon our gold-brick-buying Treasury for transfer to the bowels of Kentucky.

16. By this term should be understood that to which, in "The Commercial and Financial Chronicle," Jan. 25, 1945, p. 404, Dr. Benjamin Anderson refers when he says: "Indeed, investment often precedes saving in such a situation, through an expansion of bank credit. . . ." The process is elaborately detailed in his sharp criticism of Keynesian analysis in the next page ("The relation of Savings to Investment," starting on same page).

17. Quoted by Father Dempsey from "Interest and Usury in a New Light," by Somerville, in The Economic Journal, Dec., 1931.

18. "In a recent poll by Dr. George Gallup of the American Institute of Public Opinion, the reporters asked the persons interviewed to tell in their own words what they understood by the term 'free enterprise.' As free enterprise is one of the important elements in American capitalism, the outcome of this poll is both interesting and depressing. The great majority were unable to give a correct definition. Only three out of ten persons had any clear idea as to its meaning." From "What Economic System for America," by Chas. J. Brand, Washington, D. C., 1945.

Post-War Construction Projects Contemplated, Dodge Corp. Reports

Thomas S. Holden, President of F. W. Dodge Corporation, reported on June 26 that his organization's field staff by the end of May had spotted 99,638 specific construction projects contemplated for post-war execution in the 37 states east of the Rocky Mountains. The combined value of all projects is $15,746,202,000 it is stated Mr. Holden emphasized that the listings included specific projects only, and do not include announcements of general construction or expansion programs.

The Dodge executive declared that the information was obtained in continous surveys from more than a million individuals, companies, institutions, and Government agencies, and represents the cumulative and unduplicated reports of his field staff over a three-year period. While 99,638 projects are listed, the number of buildings involved is much greater, for many projects involve more than one structure, Mr. Holden said. Analysis of the individual project reports shows, Mr. Holden stated that 33,104 jobs, estimated to cost $7,752,138,000, have progressed to the design stage. It is these projects, he said, which will be advanced toward execution as rapidly as government regulations, and supplies of materials and manpower permit.

The remaining 66,534 projects, with an estimated cost of $7,993,064,000, constitute a backlog of specific contemplated projects, many of which will progress to design stage as rapidly as architects and engineers can find enough draftsmen to expand their currently limited planning activity, the Dodge executive declared.

"Full significance of these figures on contemplated construction projects realized by comparing them with the contract records of peacetime years," Mr. Holden said, adding:

"The dollar volume of design-stage work, exclusive of the backlog of additional contemplated projects, is 143% greater than the 37-state contract volume for 1938, is 118% greater than the 1939 contract volume, 93% greater than the 1940 volume, and 14% greater than the maximum peacetime contract volume established in 1928."

Privately owned projects in the design stage number 22,795, with an estimated total value of $2,609,675,000 he indicated, saying that this is considerably greater than the volume of private construction contracts awarded in 1938, 1939 or 1940.

The Lodge file of post-war projects contains a preponderance of public projects, Mr. Holden pointed out. He further said:

"Delays in construction revival will definitely not be due to any dearth of plans. If only a moderate fraction of the public building and engineering projects that have been planned are ready to go ahead within the next 12 to 18 monthfs, these, added to the great reservoir of planned private projects, urgent small projects as yet unplanned, and deferred maintenance and repairs, will constitute as large a demand as the industry can take care of in the transition period. The real revival bottlenecks are government regulations, material and manpower shortages, and confused price trends, with the added potentiality of transportation shortages."

Louisville & Nashville Bonds Offered at 98½

A nationwide group headed by Morgan Stanley & Co., on July 2 won the award of $53,119,000 Louisville & Nashville RR. first and refunding mortgage bonds, Series G, due April 1, 2003 on a bid of 97.669% for 2⅞s. The only competing bid was from a group headed by Halsey, Stuart & Co., Inc. which bid 97.1399% for 2⅞s. Subject to authorization by the Interstate Commerce Commission, the bonds were offered July 3 at 98½% and accrued interest to yield about 2.93% to maturity.

Proceeds from the sale, together with other funds to be provided by the company, will be used to retire or redeem $24,654,000 first and refunding mortgage 3¾% bonds, series E, due April 1, 2003 and $28,465,000 extended unified mortgage 4% bonds, series B, due Jan. 1, 1960.

The present financing will materially improve the lien position of the first and refunding mortgage bonds. After giving effect to the sale of the series G bonds and to the satisfaction of the company's unified mortgage, its Mobile & Montgomery Ry. mortgage and The Newport & Cincinnati Bridge Co. mortgage (which will be paid, or payment for which will be provided, prior to, or contemporaneously with the issuance and sale of series G bonds), the $106,700,000 first and refunding mortgage bonds to be outstanding in the hands of the public, in the opinion of the company's General Counsel, will be secured by a first lien on approximately 2,884 miles of road and, in addition, by a direct lien on approximately 1,635 miles of road subject to the liens, in so far as they attach, of mortgages securing $55,959,000 bonds outstanding in the hands of the public or pledged. Prior to the sale of the series G bonds the first and refunding mortgage was secured by a first lien on about 853 miles of road and by a junior lien on about 3,666 miles of road subject to the liens, in so far as they attached, of mortgages securing $87,556,000 bonds outstanding in the hands of the public or pledged.

Cocktail Party in Honor of New Edition

More than 100 people attended the cocktail party on the afternoon of June 28th, in the garden of Arthur Wiesenberger's home at 241 East 48th Street, New York City. The occasion was the celebration of the appearance of the 1945 edition of "Investment Companies," written and published by Mr. Wiesenberger of the New York Stock Exchange firm of Arthur Wiesenberger & Company.

Members of the press were invited to meet and get acquainted with some of the heads of the large investment trusts, among whom were Francis F. Randolph, Chairman of the Board of the Tri-Continental group of companies; S. L. Sholley, President of Keystone Custodian Funds, Inc.; Ernest Henderson, President, and Robert Moore, Vice-President, of Sheraton Corporation; Dorsey Richardson of Lehman Corporation; Kenneth S. Gason, President, and Herbert R. Anderson, Executive Vice-President, of Distributors Group, Inc., and Leon Abbett, Vice-President and Treasurer of Lord, Abbett & Co., Inc.

Gold Fallacies

(Continued from first page)

epoch that has done away with more than one age-worn institution. Yet, it leaves us with the ancient practice of hoarding gold as the basis of, and the international key to, the monetary standard underlying all economic valuations. Why don't we shake off this relic, as it were, of antiquated customs, that seems to have lost all justification?

Surely, the fact that gold has been in monetary use for more than 2,000 years and was produced as early as under the fourth Egyptian dynasty (around 2900 B. C.), is no reason for continuing the hoarding practice in which mankind indulges. Take the case of silver. Until the early 1870's silver was in far wider use as currency and treasure than gold. It was demonetized almost overnight, and ever since, silver has been leading a ghost existence as a monetary metal, having ceased to be the currency base practically everywhere. It would vanish from the scene altogether, except as small change, were it not for U. S. subsidies.

But with a fascinating tenacity, gold holds on to its unique position among commodities—to the position of the sole money-metal, international medium of exchange, and world-wide financial treasure, coveted and hoarded by every government and central bank and by millions of individuals—by everyone who can lay hands on it.

II.

Fantastic conceptions are in circulation about gold and find credence, time and again. The following **elementary fallacies about gold** are more current than any others:

1. **That gold is predestined** by "nature" to fulfill the monetary function. This pseudo-religious belief in the alleged God-given role of a metal is plain nonsense. So is its more modern variant: that mankind is sold on it by some kind of tacit convention, or bound to it by unshakable tradition.

2. **That gold is not a commodity**, has no "natural" usefulness. Gold is a metal with unusually fine technical qualities. Its beautiful coloring remains untarnished on exposure, its high specific gravity, its readiness to alloy with most metals, its extreme tenacity and malleability, its ductility, put it in the top rank among the metals. Its tenacity is equal to 7 tons per square inch; a gold wire of 1/10 inch thickness supports nearly 200 pounds, and more when alloyed. Gold is reducible to leaves of 1/280,000 inch thickness. A grain of it can be made to cover a surface of 80 square inches, or stretched into 500 feet of wire at 1/20,000 inch thickness. Gold chlorides are used for glass staining, pottery and enamel painting, coloring of artificial gems and especially for photography, to say nothing of the use of gold in jewelry and dentistry. Gold resists chemical reaction better than almost any other metal. Briefly, it is a useful metal that has a value without regard to monetary functions, and its industrial use would be far more widespread if the monetary demand would not make it too expensive.

3. **That gold is a commodity like any other.** The implication is that all its worth is due to its industrial use. In view of the fact that more than 9/10 of the newly mined gold goes into monetary channels, the fallacy should be obvious. It is like saying that corn has no use other than to be turned into alcohol.

4. **That the value of gold is independent of supply and demand** and is determined solely by government fiat. Of course, Congress can change the dollar price of an onuce of gold as it did when it raised it from $20.67 to $35.00. But did it determine the value of gold thereby, and not rather the value of the dollar in terms of gold? What the devaluation did was to make gold expensive from the point of view of those who owned dollars, and to make dollars cheaper for those who owned gold or foreign money. In other words, Congress has no power beyond the States: it can raise the price of gold only by lowering the price of the dollar on the foreign exchange markets. And its power within the country is effective only as long as commodity prices adjust themselves to the new price of gold.

5. **That the value of gold is intrinsically stable.** The value of gold is nothing but its purchasing power—its ability to buy things. It is as stable as is the general price level, or as unstable. There is no such thing as a permanent stability of gold's purchasing power unless all prices would be kept artifically fixed all over the world.

6. **That the value of gold is intrinsically unstable.** If there is anything "intrinsic" about gold it is the fact that its supply and demand have a tendency toward stability which is unique. The **demand** for gold seems pretty constant, being essentially a demand for monetary hoards and reserves, determined largely by the excess of imports or exports on international accounts. And monetary gold is the one commodity the **supply** of which is not subject to great fluctuations, because the annual production never amounts to as much as four per cent of the total supply. What other standard commodity can claim that its carry-over from year to year is always at least twenty-five times as big as the annual increment of new production? Obviously, a commodity with such comparatively stable and practically foreseeable supply-conditions is not likely to generate violent price-gyrations.

7. **That there is too little gold.** From time to time, geologists and economists threaten with a gold scarcity, on which they blame great depressions like in the 1870's and 1930's. But each time, gold production takes an unexpected upturn, making all gloomy forecasts look silly. Indeed, there is supposedly gold in the crust of the earth for another sixty years at the pre-war rate of production, and we have not yet prospected more than a fraction of the potential sources. Besides, on the basis of a given gold reserve, a country may print more or less bank notes, expand more or less bank-credit. In other words, there is no mechanically fixed ratio binding the monetary volume to the size of the gold reserve. We have it in our hands (by intelligent management) to stretch our gold reserve or to keep it under control according to our monetary needs.

8. **That there is too much gold**—that is what some people worry about, that gold might share the fate of silver that had to be demonetized because of the possibility of producing it in disorderly quantities or at very low cost. About this alleged threat of a gold inflation, two things should be remembered. (a) Gold ores are being prospected, assayed, developed, mined, crushed, processed and transported at substantial cost—at the expense of painstaking labor, tons of heavy equipment, loads of steel and other materials. Only about 10% of the current production is being washed (dredged) out of river-beds, which also is costly, while the rest has to be wrung from the depth of rocks located mostly in out-of-the-way regions. Nor is gold produced as silver is in part, namely, as a cheap by-product in the mining of other metals. (b) Current gold production fluctuates up and down according to the profit it brings. In a boom, when commodity prices and wages are high, while the price of gold in national currencies remains fixed, gold production declines and only high-grade ores are exploited. In a depression, when prices and wages are low, gold production rises and low-grade ores come under exploitation. Briefly, the new output tends to adjust itself to the price level.

III.

So far, so good. But all we have established is merely that gold would do what it does, and is better fitted for that than platinum or silver, or even diamonds, to say nothing of perishable goods. Gold has all the qualities needed. It is not too rare and not too plentiful. The output of gold mines varies, but the total volume of gold changes slowly. The cost of producing it is substantial enough but not prohibitive. Gold is hard enough to last, and not too hard to be indivisible. It is perfectly fitted for coinage and for hoarding.

That brings up the gold standard. Admitting that gold is gold—what good does the gold standard do? There the real confusion begins. Whatever we think of it, we know at least what we mean by the word "gold". But "gold standard" has diverse connotations to different people and at different times.

In the **classical or automatic gold standard,** gold is the base only. The bulk of the "money" consists of bank notes and checks drawn on bank deposits. Whether legal tender or not, it is strictly **convertible into gold.** The central bank stands ready at all times to buy and sell gold—against its own paper—at a fixed price. The maintenance of convertibility at a **fixed rate** (gold bar) is the essential feature, which has very significant consequences. It compels the monetary authorities to provide sufficient gold reserves so as to meet any demand for gold that might arise—**liquidity** pressure, which means that the financial community has to be ready for any drain of gold. It cannot go too far in engaging itself by incurring short-term liabilities without risking the danger that those liabilities are claimed and gold is withdrawn.

Stripped of all technicalities, the gist of the automatic gold standard is this: Every kind of money is somehow convertible into gold, with the consequent necessity to keep the issue of bank notes and the expansion of bank deposits within limits, i.e., in a reasonable proportion to the gold reserve. Gold thereby becomes a vital factor in the credit structure. Credit expansion and credit contraction are deeply influenced by the flow of gold in and out of the country. Note that the circulation of gold coins inside the country is not essential to this system. A gold standard can be "automatic" without converting bank notes into gold at home, provided that they are convertible abroad (gold exchange standard). All that matters is the **stability of the foreign exchanges** at a given gold par and the consequent **necessity of holding proper gold reserves.**

That is the kind of gold standard we have had in this country until the spring of 1933, when we went "off gold", or so we thought. Did we stop converting our money into gold? Not at all: we did not stop for a single day selling gold against dollars (abroad) if asked to do so. Did we stop buying gold? Not at all: at all business hours the New York Federal Reserve or the Treasury was ready to pay "cash" against gold offered to it. We never went off gold, truthfully, but for some six months we changed over from an automatic gold standard to a **managed gold standard,** and then early in 1934 turned back to the automatic standard, changing only secondary features, until in 1941 we turned once more to "management."

What we did for about six months prior to February, 1934, was to **abandon the fixed dollar-price of gold,** not gold itself. We paid in that period more and more dollars for the gold we bought (which proved, if anything, a growing appreciation of gold). Instead of a fixed gold par, we instituted a variable gold price. The dollar was still "on gold", but not any more in a set ratio to it. That that was an escapade only, is proven by the fact that we completed the devaluation by promptly returning to the automatic type even though at a newly fixed par. In other words, we changed our monetary measurements, and back we went to normal.

There is nothing mysterious about the difference between an automatic and a managed gold standard. In the one, the currency unit bears a fixed relation to a quantity of gold; in the other, the ratio can be, and is **expected** to be, changed. Both are "on gold", but the advantage offered by the former consists in international stability, which helps foreign trade, and in internal restraint against over-expansion, which may be more or less effective, depending on the policies pursued. The managed type permits a greater freedom of credit expansion—at the risk of causing a correspondingly more serious aftermath—and upsets the normal course of international trade. Take your choice.

IV.

Gold is just as basic to the managed variety as to the old-fashioned type. The Bank of England, e.g., had in the days of conservative monetary policy a gold reserve of never more than 600 million dollars, usually much less. By 1938, after seven years allegedly "off the gold standard", the Old Lady of Threadneedle Street accumulated a reserve of some $2,-600 millions. The more she was "off", the more gold she hoarded. Of course, she was (sitting) "on" all that time.

To be really off the gold standard means one of two things, or a combination of both. Either the currency is left to drift and "find its own level", in the foreign exchange market—the case of a "run-away inflation," in which European countries indulged after the last war, as South Americans did before, China and Greece since. Or it is held nominally at par, but by the subterfuge device of cancelling or freezing all foreign claims, stopping the outflow of capital, confiscating the foreign assets held at home, etc., shortly by keeping tight behind the barbed-wire fences of strict exchange regulations. The Soviets have introduced this technique of financial control and carried it out with ruthless logic. In either case, the monetary system is more or less, but almost never 100%, divorced from gold.

The Germans, when caught in the great crisis of 1931, developed the most complicated and most vicious of all managements. Boiled down to its bare essentials, their method amounted to being "off gold" both ways. They broke up their monetary system into many kinds of **mark.** Some, the smaller part, were kept stable by being kept out of the international market; these marks remained equivalent to gold, but only in appearance, since they could neither be sold nor bought abroad. The rest of the marks was left to depreciate to some extent or completely. The resulting chaos in Germany's external relations was very helpful in bringing about the 1939 catastrophe.

V.

Some countries clamor at times that they are off gold while in reality they are on; others which are really off, insist that they never left it. Such confusion of words should not disturb us. The fact is that even in countries with depreciating or frozen currencies the governments never refuse to buy gold. Their trouble is that they can't get it because as a rule no one wants to own their inconvertible currency if he can help it.

Why is every nation of the world bargaining and bickering for gold? The answer is that they need it. They need it (a) as a means to pay excess balances abroad if they have no offsetting claims; (b) to maintain their exchange stability by selling gold if and when that stability is threatened; (c) to keep a reserve for emergencies in a form which is marketable everywhere and at all times; (d) to use it as a semi-mechanical sort of device by which to gauge and control the soundness of internal credit policies; and (e) as a means to maintain financial confidence at home and abroad. They need the yellow metal whether on or off, and whatever kind of monetary policy they choose to adopt.

Peace-time policies with regard to gold depend on the fundamental position of each individual country. Those with plenty of gold and with good prospects to maintain their gold reserves without too much strain are inclined toward the automatic gold standard, which promotes their foreign trade and their foreign investments—and they are creditor countries. Those with unbalanced international accounts, having no gold or being in the process of losing what they have and fearing financial strain, prefer the greater freedom which the managed gold standard provides (unless a stronger country comes to their financial rescue). All countries, with one single exception, which are off gold try to get back as soon as their conditions permitted. The one exception may be Soviet Russia because of her desire to carry out the collectivist experiment undisturbed by the gold flow and the automatic restraints it imposes upon internal policies.

VI.

No doubt, gold would lose much of its value if it would lose its monetary function. No doubt, either, that there is a theoretical possibility of that. Just as an individual state can substitute its paper for gold at home, so a world state could eliminate the money metal altogether. All it takes is a World State, be it a universal Imperium or an effective Union, the signature of which would be acceptable and would have to be accepted everywhere.

Dreamers wait for Unions, and fools try to create an Imperium. At times, both find a following and create confusion for a while. Right now the latest attempts for world control are crumbling, and the dreams of a super-state are being reduced to the modest proportions of an international alliance.

That background is important to understand why gold production and gold hoarding never cease. The basic fact is that there is no power on earth that could eliminate gold. Indeed, production and hoarding never even seem to take notice of the discussion about the future of gold. As a matter of fact, in times when the gold standard is under fire, gold prospecting flourishes and gold shares boom. The marketplace expresses its confidence in gold with no regard to the theoretizing of academicians and cranks. The present **boom in gold shares** has, however, its particular features. In all experience, gold mining stocks tend to decline as commodity prices rise, as mentioned before. Their present virulence is illogical in appearance. In reality, it has good reasons, of which the fact of great new gold discoveries is only one. Primarily, this should affect only the new mines, the shares of which profit most. But the stimulus which the new discoveries in the South African Rand as well as in the mining districts of Ontario emanate affects the entire market.

However, other factors are more important to explain the boom. Gold stocks were depressed by the artificial stoppage or reduction of production during the war and have to recover with the prospect that labor and materials will be available soon again. True, their costs will be higher than before, but the current appreciation of mining stocks indicates that the market expects a **revaluation of gold** at the mints. In other words, the old rule that rising commodity prices depress gold mining profits applies only so long as the official price of gold remains fixed. Presently, the general expectation is that it will not be kept stable, even though three proposals in Congress to raise the gold price have been voted down lately. Rightly or wrongly, **there is little doubt** in the minds of the capitalistic community that the **credit inflation will continue; that commodity prices will be much higher; and that sooner or later a new devaluation** of the dollar as well as of all other belligerent currencies will follow.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of William J. Granberry to Joseph Rosenfeld will be considered by the Exchange on July 12th. It is understood that Mr. Rosenfeld will act as an individual floor broker.

Transfer of the membership of the late Max Strauss to Edward P. Prescott will be considered on July 12th. Mr. Prescott will continue as a partner of Prescott & Co., Cleveland.

Transfer of the Exchange membership of Milton Wasserman to Mortimer W. Loewi will be considered on July 12th. Mr. Loewi will act as an individual floor broker.

Privilege of Francis T. Whelan to act as alternate on the floor of the Exchange for Benjamin H. Brinton of Brinton & Co. was withdrawn on July 3rd.

William R. Taylor, general partner in W. E. Burnet & Co., will become a limited partner effective July 5th. As of the same date, Richard P. Windisch, limited partner, will become a general partner.

John H. Wood retired from partnership in De Haven & Townsend, Crouter & Bodine, Philadelphia, effective June 30th.

Interest of the late James H. Wynn in J. W. Sparks & Co. ceased as of June 20th.

Interest of the late A. Lawrence Peirson, limited partner in Goodbody & Co., ceased as of June 27th.

Interest of the late Rudolph Nadel, an Exchange member, in Mabon & Co., ceased as of May 24th.

Wasserman & Co. dissolved, effective June 30th.

To Form Herman, Hampton Co.

(Special to THE FINANCIAL CHRONICLE)

SALINAS, CALIF. — Herman, Hampton & Co. is being formed with offices in the Salinas National Bank Building to engage in the securities business. Partners are Jules D. Herman, general partner, and Cyril L. Vertin, special partner. Mr. Herman previously was connected with Walston, Hoffman & Goodwin.

Baker Officers

BUFFALO, N. Y. — William Watson Baker is Vice-President and Joseph C. Baecher, Secretary of John H. Baker & Co., Inc., 11 Niagara Street. John H. Baker is President and Treasurer of the firm.

Praises Changes in Illinois Blue Sky Law

Edward J. Barrett, State Secretary, Says It Will Benefit All Interests. Describes the Amendments Which Were Passed After Conferences With Representatives of the Investment Banking Industry.

Amendments to the Illinois Securities Act, effective July 1 will benefit investors, issuers of securities and business interests generally in Illinois, according to Secretary of State Edward J. Barrett, under whom the Act is administered.

"These amendments will open the facilities of the over-the-counter market to Illinois owners of a large number of outstanding securities which have been restricted as to marketability in the past," Mr. Barrett stated. "Too, they will encourage 'small business' enterprise, and will also eliminate certain technicalities which heretofore have prevented the sale in Illinois of many well seasoned securities, issued by sound and established corporations." The Secretary pointed out that no essential safeguard against fraud in the sale of securities had been forfeited in providing these additional and more flexible facilities.

The principal amendment broadens the definition of "exempted transactions" in securities, to include the resale by a registered dealer or broker of any outstanding security acquired in the ordinary and usual course of business, about which information is available in a recognized securities manual or is furnished to the Secretary of State. Heretofore such a resale has been limited to securities which were originally issued as exempt securities or had been qualified in Illinois. This closed the over-the-counter market to a large number of issues of quality and long outstanding.

To be exempt under the new provisions, a transaction must meet a number of requirements designed to protect the investor. The dealer or broker must be registered in Illinois and in good standing, the price at which the security is bought or sold must be reasonably related to the current market price, the information available must include a balance sheet and a three year income statement, the sale must not be for the direct or indirect benefit of the issuer of the security, although the sale of treasury stock for a corporation is not deemed to come within this restriction. These and additional provisions are said by representatives of the investment banking business to be entirely practicable while retaining adequate protection to the public.

Another amendment extends the exemption given to securities listed on designated stock exchanges to include additional amounts of securities issued by a corporatioin when approved for listing upon issuance. In the past a corporation was required to go through all the formalities of qualifying an additional amount for sale in Illinois, even though its outstanding stock, identical in nature, was exempt because of being listed on a designated stock exchange. This amendment also adds the New York Curb Exchange to the list of stock exchanges recognized for this purpose.

The amendment of most interest to small business will increase from \$10,000 to \$25,000 the amount of capital which can be raised by a proposed corporation in Illinois without going through the legal requirements of registration with the Securities Department.

Poyntelle Downing, Decatur attorney, appointed by Mr. Barrett early this year as head of the Securities Department, began a series of conferences with representatives of the investment banking industry soon after his appointment, to determine what changes in the Illinois Securities Act might be necessary and desirable under present conditions. The industry was represented by a committee which included Arthur G. Davis, Field Secretary of the Investment Bankers Association, George F. Noyes, Vice President of The Illinois Company, Robert G. Mead, assistant Vice President of Stone & Webster and Blodget, Inc., and Henry D. MacFarlane, partner of Alfred O'Gara & Co. Individuals were chosen for the purpose of making special investigation and inquiry into various problems,—such as the selection of John W. Cannon, Danville, to report on the proposal to include the New York Curb Exchange. Other Department personnel, including Paul V. Deames, Chief Examiner, joined in the conferences and, after the final drafting, the amendments were presented to the Legislature by William Vicars, former legislator, and now with the Department. The legislation was passed without opposition and signed by Governor Green June 28th.

In discussing the application of the new amendments, Mr. Barrett said, "The Department believes that the primary objective of The Illinois Securities Law will not be hampered by affording Illinois investors, investment bankers and business in general, an access to broader and more diversified securities markets. On the contrary, it is expected that more interest will be developed in investment fields worthy of consideration in preference to those of extremely hazardous character. It is regarded as especially important at this time to encourage the small business enterprise, and to avoid undue obstruction to the orderly flow of private capital, through supervised channels, into justifiable business ventures."

Blair Organization Opens Boston Branch

BOSTON, MASS.—Blair & Co., Inc., and Blair Securities Corporation, are opening an office at 50 State Street, under the management of John K. Norwood. Mr. Norwood will conduct a Government bond business throughout New England for Blair Securities Corporation and will represent Blair & Co., Inc., in the distribution of Municipal and Corporate securities in the territory. The principal office of each of the companies is in New York and branches are maintained in other large cities.

The British Problem And Bretton Woods

(Continued from page 67)

gram itself will be futile. Other witnesses tended to support the Williams thesis.

John H. Williams Quoted

Dr. Williams agreed with the estimate of Mr. Robert Boothby, M.P., and other British officials, that by the end of the war the blocked sterling balances will total $16 billions, although Williams thought that the British may be able to cut this down by negotiation with countries like India and Egypt, "and be quite right in doing so." In addition to that, Dr. Williams told the Senators, Britain will surely have a large post-war deficit on current account, variously estimated at from $1.2 to $2 billions a year.

If nothing is done to solve that deficit, he continued, Britain will have the very difficult choice of either tightening her belt—"and to me that isn't conceivable"—or incurring further debt until in some way it can expand its exports enough. This problem, England's problem, is just as difficult as any problem we had after the last war—the reparations problem, for example, said Williams. "Now, here is our principal partner in the multilateral-trade, free exchange world. Here she is, and she is in this shape. . . ."

Dr. Williams went on to state that when the British ask us for help, they always stress two points: "One is that we must have high employment here because that would expand our imports; . . . and the other way is for us to invest abroad. They say that, because they did it a good deal in the 19th Century. They left their surpluses abroad as additional investment. They ask us to do that. I have heard the British delegates go through this over and over again. They like to make it appear that the solution of this problem is really simple, if the creditor nation will only do its duty and invest its surplus abroad. . . .

"Well, now, the first question to ask the British is: Do you really mean that? If it means, as I think it must, a great growth of American exports, do you really want us to go forth making large investments abroad and, of course, . . . in the form of exports?" Williams added that the problem was for us to make the investments and the British to get the export trade, a problem which Williams is frank enough to say he, for one, cannot solve; that "nobody has ever been able to do that."

Williams sees nothing this country can do "except to offer England a credit of $3 billions or so on the lowest possible terms. As a matter of fact, I favor extension of lend-lease to the problem for the transition period that I regard as a continuation of the war, but I think that is not politically practicable. I would do the nearest thing possible to it. England cannot afford to be burdened, and we shouldn't want her to be. . . ." If we can solve the British problem, Williams thinks there will remain no real difficulty and he would then assent to the Bretton Woods Fund.

Imrie DeVegh, another witness before the Senate committee, made somewhat similar suggestions for helping Britain. Because the British have to bear so large a part of the defense burden of the Empire, DeVegh suggested that the U. S. undertake some of those defense expenditures on Britain's behalf. The witness did not, however, spell out just how this can be done practically. Asked whether a $3 billion loan would be enough to help the British out of their dilemma, he answered in the negative. And he recommended that we "subsidize Britain."

Still another recent witness, Dr. B. H. Beckhart—economist of the Chase National Bank of New York and Columbia University professor—recommended aid to the British, provided a successful trade conference is held first. In that event, the United States "should lend its assistance in the solution of the post-war British exchange problem, which is crucial and must be solved, if the multilateral system of payments is to be restored."

While these witnesses find themselves in disagreement with the Administration when they suggest that the International Monetary Fund is premature until sterling is stabilized, they are not similarly alone when they recognize the existence of a great problem in sterling. Nor are their suggestions of a large gift to the British, perhaps disguised as a loan, entirely frowned upon in official Washington. But the Administration will not at this late date shelve the Bretton Woods program, merely because it cannot of itself promise a stable pound-dollar rate.

A Pessimistic View of the Sterling Problem

In the "Chronicle" of February 15 this writer reported a rather pessimistic view of the theory current in New York that the important problem of sterling's stability in terms of the dollar can be solved by a single low-interest long-term loan or grant of $5 billions to the British. It will therefore be unnecessary to repeat that story here.

The views expressed by the above-quoted witnesses before the Senate committee, insofar as they relate to the effects of a generous dollar loan or gift to the British, are not without their counterparts among active supporters of Bretton Woods in Washington. These Washingtonians not only do not agree with Williams that settlement of the dollar-sterling rate is pre-essential to the setting up of the Bretton Woods Fund. On the contrary, they argue that the Fund is a pre-requisite to the success of a solution of the sterling-dollar problem.

One exponent of this view from his ringside vantage point describes the problem of the British pound as threefold. In the order of importance the three phases of the problem are: (1) the long run; (2) the transition period; (3) the so-called blocked sterling balances built up during the war. That exponent, being much more optimistic than the views published in the "Chronicle" last February, rejects the idea that the British cannot solve the problem of their balance of payments within the system of multilateral trade and exchanges. He therefore rejects the thesis that Britannia must become our permanent poor relation. For the solution of the blocked sterling balances he offers a plan.

Disposing of the Blocked Sterling

The blocked sterling balances—Britain "war debt" to India, the Near East, and other areas—came into being largely as a result of Britain's large expenditures for its overseas military establishments and their upkeep. Britain, it is suggested, should make arrangements with the several countries owning these balances for their repayment, in part, over a period of half a century. Assuming that the blocked sterling will total the equivalent of $16 billions at the end of the war, and assuming that—at least, in five or ten years—the countries with which Britain does business will need working balances of $4 billions (sterling) in London, the suggestion referred to is that the British undertake to unblock, over a 50-year period in equal annual amounts, an additional $4 billions worth of sterling.

With $8 billions of the $16 billions so to be accounted for, the plan calls for agreement with the creditor countries to cancel the remaining $8 billions, on the grounds that the blocked sterling represents the sale of goods and services to the British at greatly inflated prices and that much of the expenditure was for defense of those very countries. To support this reasoning, it is pointed out that wholesale commodity price indexes in India are now triple their pre-war level. Similar index numbers at the end of 1944 were 3½ times their pre-war level in Egypt and Palestine, and more than five times in Iraq. To reinforce the case for semi-cancellation, it is said that the British paid the high prices—while sterling exchange rates with the countries concerned remained artificially high—because it wanted to be fair and not drive a hard bargain with the countries concerned, even though they were benefiting from the British defense efforts.

In unblocking the foreign-owned sterling balances in 50 annual instalments the British under this plan would pay no interest, the theory being that no interest cost was involved in the first instance in creating the rupees, rials, dinars, and the Palestinian and Egyptian pounds on which the blocked sterling balances were created.

The above-described suggestion for handling the balances blocked in Britain touches, as stated, only the least pressing of Britain's triple monetary problem. To set sterling again on its feet and to get the British balance of payments out of its present chronic "fundamental disequilibrium" the author of the plan also suggests that Britain should be given by this country a gift or an interest-free loan of $2 billions, repayable over 20 or 25 years. Such a loan would be the equivalent of a gift of half the amount, were interest to be calculated at the rate of 4% per annum. This would ease sterling's transition period. But other steps would be necessary.

A 5-Year Transition Period

Discussing Britain's needs during the transition period, our informant said:

"It is not possible to speak of Britain's needs during the transition period in great detail.

"Obviously, during that period Britain will continue to run a deficit on current account. This may be as little as $2.5 billion, it may be as much as $4 billion for an arbitrary three-year transition period. In the fourth year Britain should balance its international accounts, but we should not rule out the possibility that five years will be needed for attaining balance.

"In general, this transition deficit would be financed as follows: At least one-half would go into additional sterling balances (to be handled like the wartime blocked sterling), about one-fourth would be financed by drawing down Britain's reserves of gold and dollars, and the remainder would probably be met out of short-term credits, to a considerable extent of a commercial or banking character. I am very doubtful if Britain will seek financial aid from the Export-Import Bank; or for that matter, even from the Fund. England has a horror of dollar debts; and an obligation to the Fund, while it is to an anonymous creditor, is nevertheless fundamentally a dollar obligation. That is why I feel sure, as the British themselves have said, that England would use the Fund during the transition only in limited amount and only with great hesitation.

"England's needs should be cared for in as many operations as are most suitable, but definitely not in the form of a large dollar obligation. And they should be met in a manner that will not unduly burden Britain, financially or politically. In the event that equilibrium in Britain's balance of accounts cannot be established in the fourth year, Britain would retain her exchange controls and by such direct measures compel a balance in its accounts. One thing is certain: the aggregate adverse balance that Britain would tolerate during the transition period is not likely to be as large as $5 billion."

The Broader Sterling Problem

"Britain's long-range problem is primarily that of attaining a balance in its current international accounts. It is secondarily one of restoring its international capital position.

"Britain's loss of income from investments, the possible deterioration in its position as seller of shipping and other services, together with the probability of less favorable terms of trade (the prices of British import goods relative to the prices of British export goods) all will require Britain to increase its exports over the 1938 level by something between $1 billion and $2 billions a year, to pay for the same quantity of imports that it had before the war. And, of course, if Britain is to raise its level of income, it will need an even larger volume of imports and a correspondingly larger volume of exports.

"Unless the volume of world trade is enormously increased, it is very unlikely that Britain will solve its balance of payments problem, except through direct controls. In a world with a small volume of trade Britain will not be able to pay for its necessary imports without a very sharp reduction in the terms on which its exports are sold. Britain has an inelastic demand for imports. The world has a relatively elastic demand for British exports. In a world with $80 billion of trade, Britain can hope to find greatly enlarged markets for its exports without any sharp reduction in the terms of trade. It should be noted that this doubling in the money value of world trade involves an increase of only 60% in the volume of world trade. The principal factor in such an increase in world trade would be a high level of employment and imports in the United States which would undoubtedly affect business conditions in the Latin American Republics and other countries from whom we are large buyers.

Everything Depends on Large World Trade

"If the volume of world trade is not increased, Britain has only a slim change of solving its balance of payments problem on the basis of free and stable exchanges. With $80 billions of trade a small adjustment in the sterling exchange rate might have a large effect on the volume of British exports. With $40 billion in world trade, even a large cut in sterling might have only a minor effect on the volume of British exports. Under the circumstances, with a small volume of world trade Britain will of necessity have to resort to bilateral clearing arrangements, a large element of government participation in international trade, and complete exchange control.* I believe, nevertheless, that sterling would be maintained at its present level, since little or nothing could be gained from a reduction in the sterling exchange rate under such circumstances.

"Taking all of these factors into account it would seem reasonably clear that Britain can restore the balance in its international accounts only through international co-operation that establishes a common international monetary policy based on stability, order, and freedom of exchange transactions, supplemented by domestic policies in all countries for maintaining high levels of employment and for lowering barriers to international trade. The only practical alternative for Britain is direct control of the balance of payments.

"No doubt, the fact that expansion of Britain's production, exports, and consumption requires a corresponding expansion of imports increases the difficulty of her building a large favorable balance of payments. On the other hand, it is true that the world's demand for British goods is extremely elastic and that many of Britain's most important exports (shipping, banking, insurance, and other services) require almost no raw materials. Clearly, in a world of greatly increased trade Britain can develop a favorable balance of payments. It could do that even in the 1920's, when British exports were especially hard hit by the over-valuation of sterling.

"The present $12-billion debt in the form of blocked sterling actually may be less burdensome than the $3.5 billion British World War I debt to the U. S. A. The blocked sterling debt, presently invested mainly in British Treasury bills, will probably average less than 1% a year in interest. If I am not mistaken, the World War I debt involved an interest rate of 4½% and 3½%. It may be possible to service the sterling debt after adjustment of its capital amount with a smaller annual payment than the American war debt, and Britain will have a great deal more flexibility in meeting the annual services. Strictly speaking, a great part of the war-time sterling obligations will always remain as additional sterling balances in London. If the volume of world trade, and particularly British trade, is doubled, the need for additional sterling balances will increase too, and several billion dollars worth of sterling may well be absorbed in such working balances. Furthermore, Britain has exceptional trade connections with the sterling-owning areas which may result in a direct expansion of British exports on the basis of its sterling debt, something it could not count on with a dollar debt.

No Further Liquidation of United Kingdom's Investments

"There are several reasons why Britain does not want to sell any more of its investments to liquidate the blocked balances. First, there is the question of prestige. For several centuries Britain was the world's banker. Britain's strength was in no small part based on its capacity to bring its resources into play in the international sphere. If only as a symbol, Britain will want to retain its international investments. The international investments that Britain still holds on the average yield a higher return, based on the price that could be realized for them, than the securities and investments already disposed of. To sell the remaining investments Britain might have to capitalize them on a 6 or 7% basis. Why should Britain do this to get rid of a sterling debt which costs less than 1% to carry?

"It is well to remember that British foreign investment always involved in large measure a stimulus to British foreign trade. If Britain were to dispose of its foreign investments it would lose important connections and profitable export trade. Britain's problem is to build up its exports and it will not do that by disposing of its investments.

"One last point might be mentioned: Britain is going into a very uncertain period as to its domestic economy. The demand for high levels of employment will be insistent in Britain and they will be met. The sterling balances will offer a market abroad in those periods in which home demand falls off. It is impossible to say now how much pressure Britain will actually put on the holders of sterling balances to liquidate them at times convenient to Britain by the purchase of British goods. To Britain the export of goods for sterling balances merely involves a shift of its debt from foreign holders of sterling to domestic holders of sterling, and this would be an ideal way of taking up any cyclical slack in employment."

While the above-quoted suggestions are those of an American, very much the same views have been advocated in England, notably in the writings of Dr. Paul Einzig in the "Financial News." On the other hand, not all British thinking regards such a course as practical.

Observations by "PEP"

While we make no attempt here to analyze the above proposal for the solution of the blocked-sterling problem either from the standpoint of its effectiveness or its acceptability to the owners of the balances, attention may be called to the note on India's sterling assets and the settlement of Britain's war debts published in the September 15, 1944, "broadsheet" issued in Britain by PEP (Political and Economic Planning). PEP points out that the greater part of India's expenditure charged to Britain has been for purposes not necessary to the defense of India and that, in view of the enforced sacrifices by Indians represented by those claims, any reduction inevitably would arouse intense bitterness in India, which is the largest holder of blocked sterling.† PEP also admits that the bulk of British wartime purchases in India have been at controlled prices, not reflected in the general price index, and that there is no corresponding assurance to India as to the prices it will have to pay in Britain, whenever it finds itself able to spend its blocked sterling for British goods. Suggesting the funding of the blocked sterling at low rates of interest and its release gradually and only for purchases of British goods and services additional to normal purchases, PEP observes that such a "sterling area" device would be incompatible with the full obligations of membership in the Fund. Since this condition would, by intention, extend over a long period of years, insofar as blocked sterling is concerned the Fund's "transitional period" is likely to endure for a considerable time.

Indeed, elsewhere in the same pamphlet PEP observes: "For ourselves, in view of the size of our payments problem, the transitional period may prove longer even than the three to five years suggested in the Fund proposals."

Emphasizing that Britain cannot enter a multilateral system until it has assurance that there will be full employment all over the world, PEP concludes that in practice the future of the Bretton Woods plan is likely to be decided during the transitional period. That PEP is willing to have Britain enter the Fund is due to the fact that under the Fund, until Britain has achieved equilibrium in its balance of payments, that country is free "to retain any trade or clearing agreements we like."

*"It should be noted in passing that a considerable portion of British opinion holds to the view (a) that international trade will not be expanded and that Britain will be compelled to resort to these direct measures; or (b) that regardless of the volume of world trade, Britain can secure distinct advantages from direct control of the balance of payments."

†Cf. statement of Sir Chunilal B. Mehta, Chairman of the Indian Delegation to the International Business Conference, Rye, N. Y., Nov. 14, 1944.

New Ruling on Competitive Bidding

SEC Holds That Concerns Furnishing Financial Advice on a New Issue Cannot Participate in Bidding. California Railroad Commission Wants a Survey of Opinions on Whole Question of Competitive Bidding.

The Securities and Exchange Commission in Philadelphia on July 2, issued a new ruling that an investment banking house, which had been retained to give financial advice to a corporation on sale of new securities, will be no longer permitted to participate in the public bidding for such issue of securities, since "such financial advisers may have an unfair advantage over other bidders because of earlier and closer association with the transaction."

According to an Associated Press dispatch, the SEC made its announcement in an opinion which approved Western Light & Telephone Company's merger into the Kansas Power Company. Western Light & Telephone Company, Inc., the surviving company, will issue $6,200,000 of first mortgage bonds, which are to be sold under competitive bidding.

It is stated, however, that Harris, Hall & Co., who were engaged as financial advisers in the transaction, will be allowed to enter the bidding because announcement of the new policy comes so late in the proceedings.

"We cannot in the future permit a banking firm to be retained or render financial advice or assistance for a fee in connection with the sale of securities and also to participate in the bidding for the same securities," the SEC announcement added.

There appears to be growing dissatisfaction in different circles regarding the whole question of competitive bidding. According to a special dispatch from San Francisco to the New York "World-Telegram" on June 29, the California Railroad Commission's efforts to survey opinions on competitive bidding on new securities has developed opposition to the Securities and Exchange Commission's ruling from a score of leading California utilities.

The California commission has been in favor of negotiated bids, but invited representatives of the utilities to a hearing in an effort to determine future policy. Should the commission decide against SEC's demand for competitive bidding, the "World-Telegram" states, the stand may be the starting point of a nation-wide campaign to rescind the SEC order.

Attorneys for Pacific Gas & Electric Co., in opposition to the SEC policy, cited the results of the March sale of refunding bonds which the Supreme Court forced into competitive bidding, supporting SEC. In that case Blyth & Co. dissolved its syndicate after a fortnight during which less than half of the issue was sold at the initial price. The remaining bonds later were sold below the offering price.

Pacific Gas contended that this showed negotiated bids with an investment banking group was the best means of marketing securities. Among companies taking a similar stand were Southern California Edison and Southern California Gas.

G. J. Hamell Dies

George Janvier Hamell, former investment broker of New York and Philadelphia, died at his home after an illness of three years. During the 1920s Mr. Hamell was associated with several investment firms in New York and Philadelphia, including Paine, Webber & Co., now Paine, Webber, Jackson & Curtis, 1416 Chestnut Street, Philadelphia.

Debs. and Preferred Shares Of Union Oil Offered

A nation-wide investment banking group headed by Dillon, Read & Co., Inc., offered publicly July 2 $25,000,000 of 2¾% debentures due June 1, 1970, and 250,000 $3.75 cumulative preferred shares, series A, no par, of Union Oil Co. of California. The debentures were priced at 101, and the preferred stock at $100 per share.

The combined offering of securities represents one of the largest financing operations undertaken by a major oil company in recent years.

Net proceeds will be applied by Union Oil Co. of California in part to the redemption on or about Aug. 15, 1945, of $25,600,000 of company's 3% debentures, due Aug. 1, 1959, and to the prepayment on or about July 10, 1945, of $12,000,000 of promissory notes held by four banks.

The remainder of the net proceeds, amounting to $10,738,000, will be added to the company's general funds to partially reimburse it for capital expenditures and to provide funds for converting to post-war operations, including modernization and expansion of certain refinery, transportation, marketing and distributing facilities.

Of the $12,000,000 of bank loans which the company proposes to repay out of the proceeds of the present financing, approximately $9,600,000 was used in acquiring from American Power & Light Co. in December, 1944, the oil properties, gasoline absorption plant, refinery and other facilities formerly owned by Glacier Production Co. in Montana.

E. C. Coultry & Co. to Be Formed in New York

E. C. Coultry & Co. will be formed as of July 16th with offices at 39 Broadway, New York City. Partners will be Edmund C. Coultry, member of the New York Stock Exchange, general partner, and Eleanor D. Coultry, limited partner. Mr. Coultry has recently been active as an individual floor broker and prior thereto was a partner in Sincere & Co.

The Securities Salesman's Corner

By JOHN DUTTON

QUALIFYING PROSPECTS

Last week-end we did some fishing, accompanied by a successful securities dealer in upper New York State. In addition to several days of trying our hand at fishing—we talked about selling securities. In fact, we did more talking than fish catching—that's the way it usually turns out.

You can learn a lot about selling from fishing. Fishing is a lot like selling. It demands patience, requires study and application (big fish aren't caught by amateurs except by accident), and you'd better have calm nerves and know just the exact moment to "set that hook" when a big one strikes, if you want to land him.

Anybody can get hold of a piece of line, some hooks and a worm and catch a few small panfish. In fact, you can catch a basket full of them without much trouble if you just find out where they are hanging out—these little fellows are hungry all the time.

It's the same way with selling securities, or anything else for that matter. If you expose yourself to business in a "bull market" when all the little pan-fish investors are climbing out from their several years of famine, you will do some business but you won't do a big business. There are some salesmen who produce a large annual income from many small accounts but these are the exception to the rule. The salesman who wants to put his earnings in the higher brackets must go after the bass, the pickerel and the pike. It's certainly sound business to have some smaller accounts, but they take up too much time for the profit involved.

Now if you want to catch some of the big fellows you've got to have the right bait, you've got to study their feeding habits, their spawning time, their migrations and their special tastes for different types of food at varying times of the year. A good wet fly fisherman walks through the stream and picks up some rocks to see what kind of insect life is around at a particular time of year—that helps him to choose his lure. It's an entirely different matter to land some of the real big fellows than it is to fill a bucket full of perch. The big fellows require patience and they are smart.

Selling securities isn't the easiest job in the world by far—and for that reason, if for none other, a man should make as much money out of the business as possible. There is a direct, shortcut to higher earnings in the securities business and that is in QUALIFYING THOSE PROSPECTS THAT ARE NOT PROFITABLE—WEEDING OUT THE TIME WASTERS WHO DON'T PAY THEIR WAY—KILLING OFF ALL THOSE PROSPECTS WHOM WE BELIEVE WE ARE GOING TO SELL SOMEDAY BUT SOMEHOW HAVE NEVER DONE SO—AND PUTTING THIS SAME TIME AND EFFORT INTO SOME LARGE ACCOUNTS THAT WE HAVE FORMERLY BEEN WASTING WITH THE "PAN FISH".

If you look at it from the standpoint of available time there is a limit to the number of hours a man can give to the development of a retail clientele. Why not spend as much of that time as possible cultivating the business of investors whose orders mean something in commissions and profits, so that when you do open up a few of these accounts you'll have sufficient financial rewards from the business to make it pay you well.

Why not select at least twenty-five prominent, financially important, potential, or actual investors, in your territory, and go after their business? Keep the smaller accounts—they are the bread and butter of any business. But once you land a few of the big fellows the little ones seem pretty tame after awhile.

British Treasury Eases Sterling Curbs

Permits Transfer of Sterling Balances of British Residents in U. S. in "American Accounts" Which Comprise Also Thirteen Central and South American Countries, to Any Other American Account in These Territories

According to an Associated Press dispatch, published in the New York "Times" on July 1, the British Treasury has announced that all sterling accounts of British residents in the United States, its dependencies and 13 Central and South American countries are now "freely available" for transfer to any other American account in the same territory. The South American countries affected are Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Salvador and Venezuela.

Sterling in such accounts also will be usable for payments to residents in the British sterling area, which is roughly the whole Empire, and payments for United Kingdom exports to the American territory affected.

According to the British Treasury's announcement, "arrangements heretofore in force regarding 'Central American accounts' and 'United States registered accounts' will no longer apply. Holders of 'United States registered accounts' have the option until Sept. 30, 1945, to remit the balance as at the close of business on June 30 at the rate of \$4.02½ (subject to banking charges)."

The Associated Press dispatch stated further that a Treasury spokesman explained that the rate of \$4.02½ was guaranteed in 1940. With Britain now feeling more confident, the guarantee was being withdrawn and account holders could accept the rate of the day in their transactions.

Lubetkin Named Director

Lloyd E. Lubetkin of Seligman, Lubetkin & Co., 41 Broad Street, New York City, former President and director of the Ritz Tower Hotel, has been elected a director of Midtown Enterprises, Inc., owners and operators of the Hotel Warwick, at 54th Street and 6th Avenue, and 20 East 57th Street, 9 East 57th Street, 14 East 58th Street and 22 East 57th Street.

High Level Employment

(Continued from first page)

segments of society; to promote the general well-being of all; and to establish justice and a spirit of reasonableness between them.

Those who represent Government should personally be disinterested. As Government follows through with such basic responsibility, it gathers and solidifies the confidence of the people. The task of Government is amazingly complicated since the population constitutes a huge structure of 136 million people. It should only take control in the economy after all possibilities are exhausted for the people to care for their own instrumentalities, or in the event of great national emergency. We are now giving Government a greatly expanded responsibility in world affairs in order to prevent, if possible, another disastrous world conflict. This they are doing for all the people.

It is reasonable to assume that the United States Government should engage in promoting the greatest measure of high level employment throughout the world as well as in our domestic affairs. Thus we favor Chapter Nine of the United Nations' Charter, which in part reads:

"With a view to the creation of conditions of stability and well being which are necessary for peaceful and friendly relations among nations . . . the organization shall promote . . . higher standards of living . . . **full employment** . . . and universal respect for, and observance of, human rights and fundamental freedoms for all. . . ."

The taking on of this extended responsibility requires government to do everything possible for us, to avoid mass unemployment in this country, such as we have experienced in the last 15 years or more. Thus the Government must recognize the two foremost essentials for the protection and survival of the American economy; namely, the maintenance of peace and the avoidance of mass unemployment.

Government Viewpoints

Dr. Goldenweiser, of the Federal Reserve Board, recently stated the Government viewpoint concerning our domestic affairs this way:

"Maintenance of employment is the principal single economic objective that will have to be achieved if the existing economic system is to survive. . . ."

"The choice is between high production, high employment and general prosperity, and falling production, serious unemployment, wide-spread misery and danger to our institutions."

Again, as Hager and Kirkpatrick, in the September, 1944 "American Economic Review" stated:

"Maintaining a high level of employment in the post-war world will be a necessary condition for the survival of democracy. HIGH LEVEL EMPLOYMENT is not a gift of the gods, nor the product of automatic market forces; maintaining it may be a difficult task."

As another representative of Government, Dr. Hinrichs, Acting Commissioner of Labor Statistics, United States Department of Labor, recently stated:

"Our job in the post-war period is to make sure that everyone who wants a job is able to find one."

S. Morris Livingston, Chief National Economics Unit, Bureau of Foreign and Domestic Commerce, United States Department of Commerce, stated on January 18, 1945:

"Looking farther ahead the businessmen and other thinking people need to give more attention to the problem of avoiding major depressions. The American people have more or less instinctively reached the conclusion that wide-spread unemployment is the greatest economic waste and must be prevented at all costs. This conclusion is echoed in the public statements of their leaders. There is no such agreement as to possible solutions of that problem. That is yet to be worked out, and its solution must be a first claim upon our vision and initiative, so that the free enterprise system may secure for us an even higher standard of income, consumption and employment than it has in the past."

Government Assistance

The various segments of the economy must operate in a coordinated and cooperative manner in order to lend to our Government the greatest measure of stability and effectiveness. The huge responsibility of the Government demands that the people adhere to sound policies and procedures if the Government is to retain the utmost confidence of society. There is no other way in which the Government can serve the collective individual in order to promote and maintain his freedom and prosperity.

It is the sincere aim of all the people that the next great American achievement be that of the maintenance of High Level Employment for an indefinite number of years ahead.

I would agree with Dr. Sonne, of the National Planning Association, who recently observed:

"Full employment means simply that if a man needs a job and wants to work and can work, he can get a decent job somewhere in the economic system. It does not mean forced work or slave work at low pay; we are speaking of a society of free people. It does not mean useless work or 'made work'; we are speaking of a society of self-respect. It does not mean no competition; it means opportunity—for men and women, and for savings."

The efforts of the Government in the recent past in setting up some instrumentalities have substantially served production, distribution, insurance and banking in the acceleration and expansion of all private and public service to the economy. Temporary agencies have been erected during emergencies, which have assisted in holding a comparatively good condition of health. I have observed that the development of insurance, for example, has been enormous, due in some degree to the wide-spread promotion and establishment of social security. We have already experienced amazing educational processes at work because of Government procedure. The American public is becoming conscious of the potentially higher levels of living by advanced security standards. Manifestly, the proper function of the Government is to stimulate the private economic and social organizations to their greatest measure of public service. The magnitudes to which the Government might point are goals for the economy to reach. Its operative task is to develop the most effective relationships between the various economic segments, which in the last analysis must govern in the attainment of these goals. The part the Government must play in maintaining High Level Employment will require the utmost coordination of Government advice. To assist the American private economy to develop a successful formula, in this respect, **one** agency of Government, affiliated with all appropriate departments, should have authority to inform all of us periodically and accurately of the trends and progress the economy makes toward the goal of High Level Employment. The Government positively should not take over the responsibility for producing High Level Employment, except in great national emergencies. The Government must have a constant over-all view of economic and social affairs, so as to keep all the people conscious of **their** cooperative part in attaining the goal of High Level Employment. It should aim to generate strength out of weakness and to commend the honest, strong and enduring.

Further Government Responsibility

By its police power Government, of course, should restrict and limit aggression and wrongful practices amongst the various segments of the economy, just as it is being committed to do in international affairs. If we were all served adequately by our Government, with reliable information concerning the implications and relationships in the economy, dealing with monetary, agricultural, industrial, trade and labor affairs, we should then more intelligently take the responsibility, in our own sectors, for revising policies that are harmful, and extending policies which are helpful.

The factors of producing High Level Employment require the avoidance of uncontrolled inflation as well as uncontrolled deflation. We all know that if the demand is larger than that which is needed to purchase all the goods and services that can be produced, there would be a pronounced inflationary trend. **Conversely**, we know that if the demand is less than that which is needed to purchase all the goods and services that can be produced, that we would have a deflationary trend. Either inflation or deflation would destroy our ability to reach the goal of maintaining High Level Employment. We should all be able to depend, with high confidence, on an efficient, honest and economical Government which has a policy that remains consistent with the best interests of the people and their welfare.

When we realize that we have actually exceeded our fantastic war production program, we become conscious of our ability and capacity to produce, distribute and consume all goods and services required to reach our goal. High Level Employment is, after all, a social goal with economic implications; as unemployment is an economic danger with social implications. With adequate and understandable information, the policies of labor as well as those of other segments would avoid dangerous trends, and not yield to expedient actions which might have disastrous results.

For example, an important statement was made in a pamphlet published by the British Workers Educational Association as follows:

"Another problem created by full employment is the tendency to inflation. When labor is scarce relatively to the demand for it the trade unions are in a strong position to force wages up, and employers do not object to raising wages, since it is easy for them to pass on extra costs to the consumer in the form of higher prices. But as prices rise the workers demand still higher wages and the 'vicious spiral' of wages and prices sets in."

Honest information from a governmental source in which we all would have confidence should unquestionably require us to avoid such disastrous roads.

With our huge natural and financial resources; with our competent labor force; with our expanded production plants; and able and efficient management; with our manifest American ingenuity and our organizing ability, we can certainly do as well for peace as we have done for war!

What the Investment Business Should Accomplish

(Continued from page 69)

believe that some brokers should be permitted to continue the practice of posing as "principal", when in fact they are not. Much progress has been made in correcting this problem, but continued attention is necessary to complete the job.

Unless the broker really buys and sells for the account of his own inventory, he can hardly be said to be acting as "principal".

Whenever this subject is discussed, it is pointed out that there is often a better market in the over-the-counter market for various securities; that because of the profit involved, more concerns are interested. It is said that once a stock is listed, many concerns (particularly small concerns) lose interest in it, because of lack of profit to them. In spite of this, the fact remains that one cannot be a broker and dealer at the same time. Where a firm really acts as dealer, the customer is not entitled to know what the dealer makes. Where the firm really acts only as a broker, it is entitled only to the commission. If the firm furnishes advisory service, it is entitled to make a charge satisfactory to the customer.

Today, if a customer purchases 100 shares of a listed stock at $50 per share, the gross commission is $25, out of which the salesman receives about $8. (Salesmen are not permitted to be paid commissions on the usual transactions in listed stocks, but salaries are generally based on about one-third of the gross.) Now, if the same $5,000 were invested in a stock at $5 per share, the gross commission would be $100. It is obvious that many partners and salesmen would encourage the customers to buy the stocks involving a gross commission of $100, instead of $25. If over-the-counter stocks are recommended, the profit is even greater. Obviously, it is wrong to penalize the conscientious partner or salesman who puts his customers in the better grade of securities, who places their interests first, as all salesmen should. The remedy is a change in the commission rates. The present commission structure encourages malpractices and recklessness on the part of numerous people in the business. In turn, this requires more supervision over the partners by the Exchange and Associations; more supervision over the salesmanagers by the partners; and more supervision over the salesmen by the salesmanagers.

One of the bad features in the investment world has been brought about by unwise laws and regulations by Government bureaus. I refer to markets which become narrower and narrower. The investment world has been very lax in making a forceful, sustained effort to have these laws and regulations changed. To effect some of the desired results, uniform State securities laws would be helpful. This alone is an important reason why investment concerns should actively request their customers to join the Investors Fairplay League. A large body of organized investors would be most helpful in this connection.

I mention some of the items which I believe need correction:

1. The senseless requirement for margins on "daylight-trading" by floor traders should be removed. This rule helps to destroy the liquidity of the market, because it requires margins for purchases of securities which are sold the same day. The result is, many former traders no longer trade.

2. The rules on short selling have contributed nothing to the market's stability; in fact, these rules have produced a result opposite to that intended. (Note that Montreal and Toronto have removed these restrictions.) These rules should be repealed. If anyone desires to sell short, let him do so at his own peril and risk. Short selling does not affect the underlying merit of any security; the painful experience of short sellers is ample evidence of this. But it does help to provide a cushion; helps to make a more liquid, and closer market from the standpoint of price spread.

3. Repeal the provision penalizing so-called "insiders" for selling securities within six months of their purchase. This accomplishes no good, but prevents men of courage, means and knowledge from buying securities on panicky day.

4. Repeal the regulations requiring certain stockholders to report their sales and purchases. Such information has accomplished nothing, and is often misleading.

5. SEC regulations have resulted in companies paying off bond issues with loans secured from banks and insurance companies. This removes from the market choice issues which can no longer be purchased by the private investor or small institution. This situation should be remedied by removing the cause.

6. Remove the regulation which requires purchasers of securities to pay for them in a certain number of days. This matter should be left to the brokers, who know their own customers.

7. Sponsors should be permitted to place supporting orders for securities at all times, for the purpose of stabilizing the market. The Government has often found it necessary to do this in the Government bond market, and should the RFC take over the entire underwriting business and sell securities to the public, it, too, would find it necessary to place supporting orders on a scale down to stabilize the market.

8. We have a minimum wage for labor. Why not have a minimum wage for the investor? Certainly savings and investments should be encouraged; they are necessary for the country's growth, and for tax levies. Why not discourage the sale of new bonds carrying a coupon rate of less than 3½% to 4%, and provide sinking fund provisions for new bond issues? If the law forbidding banks from paying interest on checking accounts were repealed, the banks might be less anxious to buy low-yielding bonds.

9. Every concern in the securities business, whether members of Exchange or not, should be regulated *uniformly;* and with uniform regulations for all companies whose securities are distributed among the general public, whether listed or not. It is interesting to observe that the Federal Reserve Act and National Banking Act regulate all banks *alike;* the laws apply to *all* banks.

It does not appear proper to permit anyone to open an "investment securities" office, without adequate capital and without regulations for handling customers' cash and securities.

There should be designated capital requirements for everyone in the securities business; rules should be uniform with regard to custody of securities and cash for customers. It might be worth while considering a requirement that everyone in the securities business who keeps free credit balances or securities for customers be required to join the Federal Bank Deposit Guaranty Corporation, and be examined once a year by the National Banking Department, as banks are, and be permitted to use the balances. Probably the best method of control would be to have every concern in the securities business become a member of some Exchange.

10. All companies whose securities are in the hands of the general public, whether listed or not, should furnish reports at least twice a year, on standardized forms.

11. Many reasons exist for encouraging the listing on some Exchange of all securities whose distribution is sufficiently wide to warrant it. There are plenty of Exchanges throughout the country where many securities, of more or less local importance, could be listed. The regional or local Exchanges are merely training grounds. When companies grow to national importance and their securities widely distributed, they should be listed on the nation's primary Exchange, the New York Stock Exchange, listing fees to be merely sufficient to cover listing expenses. (An over-the-counter market will still be necessary for certain types of securities, such as certain bank and insurance stocks, municipal bonds, railroad equipment issues, etc.)

12. The investing public generally prefers the Exchanges to the "over-the-counter" market, where quotations at any given moment vary in different offices in the same city, and in different parts of the country. When trouble comes, such as in 1940, when Holland, France, etc., collapsed, the over-the-counter market became nominal; there were no firm bids for scarcely anything, except, perhaps, for 10 shares, at prices much lower than the last sales. No one could tell what the price would be, or what the next sale would be, or where. When a security is listed there is one firm bid and asked price available to everybody, and anyone anywhere can ascertain what it is in a few minutes. Moreover, public record is made of price changes and volume with regard to listed securities.

The liquidity of the markets and the collateral value of securities have been seriously impaired. Witness the horrible decline in the fall of 1937, something the SEC was designed to prevent; whereas, in 1929, Steel common declined from 261 to 150 in 11 weeks (a drop of 42%), the same stock, under SEC law, declined in 1937 from 121 to 51 in 11 weeks, or a drop of 58%. And in the spring of 1940 the Dow-Jones industrial averages dropped from 145 to 110 *in a few days,* or a decline of about 25%. But in 1929, when the great stock market panic occurred, it took *eight weeks* for the averages to decline a similar percentage. Instead of stocks moving by ⅛ to ¼, they now move by whole points or several points.

Years ago the average man did not know what a stock or bond was. He placed his savings in a savings bank, building and loan society, in a mortgage on a property in the neighborhood in which he lived and which he knew, or occasionally bought life insurance annuities. The World War caused many people to buy Liberty bonds, and they grew accustomed to watch the security markets during the war boom at that time. After the war was over billions of these bonds were paid off, and the public, with idle funds on hand and having learned to watch the security quotations, came into the stock and bond market. Perhaps after the present war we will see the same thing.

But the average man does not belong in the stock market, where great risk always exists. High-pressure efforts should be discouraged in selling securities to a man with a few hundred dollars, or who is not familiar with the risk incurred, or who cannot afford the risk. The buying and selling of securities should be confined to those who know what they are doing, or who can afford the risk. It might be best to once again see the "small man" place his savings in the manner he formerly did—and leave the securities markets to those equipped to handle them.

A large body of organized investors would be most helpful in securing the legislative action needed for the suggestions herein mentioned. In their own interests, as well as for the purpose of preserving the traditional American system of free private enterprise, it seems to me that the stock exchanges and investment associations should request their members to aid the Investors Fairplay League in enlarging its membership. Congress will heed the pleas of large organized groups.

Broker-Dealer Personnel Items

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

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Frank E. Gillette** has been added to the staff of **G. Brashears & Co.**, 510 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Lloyd R. Arnold**, previously with Bank-america Company and Fewel & Company, has become associated with **Conrad, Bruce & Co.**, 530 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Barrie W. Mascoe** has become connected with **Lester & Co.**, 621 South Street. Mr. Mascoe was formerly with R. D. Bayly & Company.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Walter Fruehling** has joined the staff of **Wagenseller & Durst, Inc.**, 626 South Spring Street. Mr. Fruehling was previously with H. R. Baker & Co.

(Special to THE FINANCIAL CHRONICLE)
PASADENA, CALIF.—**William E. Lawson** has become affiliated with **Reagan & Co., Inc.**, 575 East Green Street. Mr. Lawson was formerly with Leo G. MacLaughlin Securities Co.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF.—**Eleanor S. Auble** and **Rita M. Leveira** have been added to the staff of **The First Boston Corporation**, 235 Montgomery Street.

Pay Mexican Int. Coupon

Holders of any issues of the External Public Debt of the United States of Mexico, who have assented to the terms of an agreement date, Nov. 5, 1942, between United Mexican States and International Committee of Bankers on Mexico, are being informed that payment of July 1, 1945, interest coupon (No. 5) will be made by the Pan-American Trust Company, fiscal agent, at 70 Wall St., New York. Letters of transmittal are available at the office of the fiscal agent for holders who have not previously accepted the offer of the Mexican Government to resume service on a modified basis, and for obtaining payments for July 1, 1943, Jan. 1, 1944, July 1, 1944 and Jan. 1, 1945 coupons.

Firm Name Changed to R. A. Shillinglaw Co.

NASHVILLE, TENN. — Gray, Shillinglaw & Co., American Trust Building, announces the change of its name to R. A. Shillinglaw & Co. There will be no change in personnel.

Senate Group by 14-4 Vote OK's Bretton Woods

(Continued from first page)

Fund should not be used to finance "armament."

The Committee approved also the drafting of an amendment expressing the sentiment of Congress in favor of a general international trade conference. This amendment will reinforce a similar expression adopted by the Bretton Woods Conference last year.

At the insistence of silver Senators the Committee struck out Section 6 of the House Bill. Some members of the Committee claimed that Section 6 was unnecessary, since its purposes are accomplished by Article IV, Section 1 of the Bretton Woods Fund Agreement. Section 6 of the House Bill reads as follows: "When the United States is requested by the Fund to communicate the par value of the United States dollar, such par value shall not be communicated as other than 15 and 5/21 grains of gold, 9/10 fine."

The striking out of this section, which the silver Senators regarded as an indirect slap at silver, does not in reality affect the status of gold in the Fund Agreement. That Agreement provides that the parity in effect 60 days before the Fund commences operation will be the one communicated to the Fund by each member. In the case of the United States it is not contemplated that there will be any change in the gold content of the dollar at any-time in the predictable future.

The fact that the Senate has now made changes in the enabling bill will call for a conference with the House of Representatives, assuming that the full Senate adopts the bill as it comes out of the Senate Banking and Currency Committee.

A motion, attributed to Senator Fulbright, to make the Secretary of State instead of the Secretary of the Treasury the Chairman of the United States Council which will supervise American activity

J. W. Fulbright

in the international financial field was turned down by the Senate Banking and Currency Committee by a vote of 10 to 8.

Senator Taft's Amendments

The insertion of the word "armament" in the Bill was the only concession which the Committee made to Senator Taft, who offered a number of motions and amendments. These were otherwise turned down.

Senator Taft's first motion was that further action on the Bill be postponed until the holding of an international conference for improved international trade practices and commercial relations and providing elimination or substantial reduction of discriminatory exchange restrictions and discriminatory trade practices.

In support of this motion Taft cited Article XIV and other exceptions in the Articles of Agreement of the Fund, the Senator claiming that our money would be paid in and lent out without obtaining removal of the discriminatory restrictions for at least five years.

Taft's second motion called for a complete substitute Bill eliminating all reference to the Fund and setting up only the International Bank.

Taft's unsuccessful motion would have inserted in the Bill on page 2 at the end of line 6 a provision "that this acceptance shall become effective only when the governments of the countries having 65% of the quotas set forth in schedule (a) shall have agreed that the Articles of Agreement to the Fund shall be amended to insert section 6 in Article XIV as follows:

"'Sec. 6: No member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency until it shall have removed all restrictions inconsistent with Article 8, sections 2, 3 and 4.'"

Another Taft amendment would have inserted on page 2 at the end of line 6 a provision "that this acceptance shall become effective only when the governments having 65% of the quota set forth in schedule (a) shall have agreed that the Articles of Agreement to the Fund shall be amended by striking out Article VII."

Still another alternative amendment of Senator Taft's rejected by the Committee would have made our entry into the Fund and Bank conditional on the other member countries amending the Articles of Agreement of the Fund by striking out Section V of Article 7 and substituting a statement that the provisions of that article should not be invoked to excuse failure to comply with any treaty, reciprocal trade agreement, or public or private debt agreement, or other contracts now or hereafter in effect.

There were four other Taft amendments, one of them seeking to strike out the word "cyclical" but space limitation prevents giving their content here.

Tobey on the ABA

During the committee consideration of amendments in executive session Senator Tobey came out of the committee room in a beaming mood and publicly stated: "So far we have licked the small segment of the ABA led by Mr. W. Randolph Burgess on every vote, and we will continue to do so."

No Prolonged Debate in Senate

Senate debate on BW once begun, is expected to be completed within not more than a week; possibly within three days, some officials expect. With United States ratification, not more than two months are expected to elapse before the necessary 65% of the votes are represented by countries ratifying the Agreements. With 65% approval, operation can begin. Among the first to ratify, probably, will be some of the Latin American countries, such as Brazil, Mexico and Cuba. The new British Parliament probably cannot act before August; and until it does act, certain other Empire countries—Australia, New Zealand and India—are expected to wait.

Canada, of course, is most anxious to see the Fund and Bank in operation, and even gave some consideration to ratifying the Agreements before the San Francisco Conference. In the end Canada contented itself with a strong endorsement of the BW idea in the form of a pre-San Francisco Parliamentary speech by Prime Minister W. L. Mackenzie King.

"Earnest Money" Due at Once

As soon as a country ratifies the BW Agreements it is required, by the terms of Article XX, to deposit with the United States Government, in the form of gold or U. S. dollars, 1/100 of 1% of its total subscriptions to the Monetary Fund and the International Bank. This means in the case of the United States an immediate payment of $592,500 as "Earnest Money." This sum later will be counted as part of our required gold subscription. The money will be put in the Federal Reserve Bank to the credit of the Fund and Bank. Of the $592,500 "Earnest Money" put in by the U. S. A. $275,000 is for the Fund and $317,500 for the Bank. For all 44 countries which were at BW, the total "Earnest Money" will be $1,790,000.

In The Minority Group

Senators Millikin, of Colorado, and Butler, of Nebraska, along with Thomas, of Idaho, and Taft,

Hugh Butler Eugene D. Millikin

of Ohio, comprised the minority in the 14-4 vote by which the Senate Banking Currency Committee approved the Bretton Woods enabling legislation on July 3.

No More Russian Members Expected

Since there were several countries represented at the San Francisco Security Conference which were not represented at BW, it is anticipated that they will be admitted to Fund and Bank, after the new institutions have started functioning. Denmark, which had an observer at the BW Conference, should be one of the first of the additional members. This is not expected to apply to White Russia and the Ukraine, however, officials here state. It is reported here that the Russians gave official assurance prior to the BW Conference that they had no intention of seeking separate representation on the Fund and Bank for individual component countries of the U. S. S. R.

Our Money's Worth

Among the official architects of BW it is pointed out in moments of ebullience that the Fund and Bank are the largest corporations ever to set up for so small a legal fee.

Bretton Woods, Part of The Peace Program

(Continued from page 66)

A book which has always claimed my interest is John Fiske's "Critical Periods in American History" in which he gives a graphic description of the difficulties which the Fathers had to meet in writing the Constitution. I am quite sure that if Fiske were alive today he would write another book on the present period in American history which, beyond question, is the most critical in the nation's entire career.

We are still engaged in the most terrible of all wars, the cataclysmic effect of which will not be fully felt for some years to come. While the war in Europe is over, yet we face the bitter struggle in the Pacific, with huge losses in capital and, worst of all, in human lives.

Overwhelmed as we all are by the immensity of the struggle, and by the tragic cost in lives and in capital, we are determined it shall not happen again, and under United States leadership, delegates from the nations of the world have devised measures to preserve the peace when it is made, for the rehabilitation of the stricken areas and building up of foreign trade, so essential to our prosperity and the world's as well.

These delegates have agreed that peace and security are not attainable by any nation acting by itself. War is an international affair, and the effort to prevent it must be equally international.

Part of a Coordinated Program

I rejoice in the Congress's vote extending the Reciprocal Tariff Agreements, with power to further reduce tariffs.

We must not, however, expect too much, too fast, from the trade agreements program. It is not a cure-all; there are no cure-alls. It is a necessary part of a coordinated program to help the people of the United States and of the world create conditions in which they can be secure, and prosperous and free. That program includes Bretton Woods to make exchange rates stable and foreign loans secure, and as an active participant at Bretton Woods, I am doing everything possible to have the agreements adopted by the Senate. It includes the Food and Agriculture Organization to improve arming methods and knowledge about diets. It includes the aviation agreements to open the skies to commercial flying when peace comes. It includes international action to restrain the operations of cartels. It includes I.L.O., the strengthening of laws on labor standards, and effective recognition of the right to organize. It includes protection of dependent peoples by the trusteeship system and it includes an effort to protect the fundamental rights and freedoms of human beings everywhere, by whatever means are possible.

Two years ago, the distinguished lady from China, Madame Chiang Kai-chek, in addressing the Senate in a brief extemporaneous talk, well said: "Gentlemen, it is fine to have ideals and to express them, but to make our ideals effective, we must implement them." And that is just what our government seeks to do in the adoption of these several far-reaching agreements, the Reciprocal Tariff Agreements, the Bretton Woods Agreements and the Agreements out of San Francisco.

Plan Not Perfect

Perfectionists (and we have some in our midst) will cavil at parts of these proposals, but they must not prevail. They always remind me of the story about the Prayer Meeting in New England when the minister, in addressing his congregation said, "Of course, no one has ever seen a perfect man." Nobody spoke but a little man in the rear stood up and the minister said, "Have you ever seen a perfect man?" "No," said the little fellow, "I haven't, but I heard about one, and that was my wife's first husband."

Recently, I heard General Eisenhower address the Joint Session of Congress, and he outlined the splendid cooperation which the leaders of the Allied Powers had given to the war effort. No sacrifice has been too great, no cost has been allowed to stand in the way, but the Allied Nations have kept their eye on the goal of putting down the Axis powers, and this has now been accomplished in Europe. If such cooperation and singleness of purpose can bind the nations together for war, the cost of which is measured in the blood of millions and the agony of soul of millions more of loved ones at home, and in hundreds of billions of dollars for the destruction of capital forever lost to the world, surely we can unite together in great efforts to maintain peace, to bind up the wounds of the stricken nations, to put them on their feet and to make a recurrence of the hell of war as remote as possible. If we shall fail to measure up to our high calling in these respects, we must consider the alternative, which is chaos.

To win the war, we have spent vast sums, sacrificed millions of lives, paid out 30 billions in lend-lease, and not hestitated to do many unusual things.

Must Not Permit Economic War

Now that the end of the war appears on the horizon, it is unthinkable that we shall permit economic war to engulf the world, or that we shall withdraw within ourselves.

Therefore, I cannot emphasize too strongly that the battle for the future of our whole generation is being fought in the Senate of the United States—the battle against both political and economic isolation.

In my opinion, the rank and file of American citizens are overwhelmingly against political isolation, and understand that the international peace cannot be maintained without an international security organization, with power to act. It should be realized by the masses of our people that Bretton Woods, the Reciprocal Trade Agreements and an International food organization, are the blood and tissue of international economic life, without which a political security organization would be as a skeleton without flesh.

One of the things I deprecate in current affairs is the attempt to arouse public opinion against the Soviet Union. I consider these efforts to be dangerous and ill-considered. It is an attitude which may well spread against other nations. It is an attempt to create prejudice against our Allies in this crucial time, while we are working for cooperation and harmony, and it is liable to seriously injure the great efforts being attempted at San Francisco and in the Senate.

Restore a Prostrate World

The situation internationally is terribly serious and all of these efforts which I have outlined have one great objective—to put a prostrate world upon its feet, and to rehabilitate these nations.

Let us not forget that the Soviet people have poured out their blood in a common struggle against fascism; that in their reconstruction period they will provide American heavy industry with its greatest market and that we have no basic areas of competition on foreign trade. We should be friends and good neighbors.

Those who, for selfish reasons, play such a game, contravene the constructive efforts of San Francisco and endanger the hopes of millions that order and peace and world cooperation can be set up.

This is no time to rock the boat.

We who are wrestling with this problem, see a world prostrate. We have a keen sense of the meaning of the word "interdependence" and something of the spirit of Emerson, when he said:

"All are needed by each one; nothing is fair and good alone."

With a large part of Europe prostrate and exhausted after years of expenditures of money, and more tragic than that, the expenditures of millions of lives, we know that Justice Brandeis was right when he said, "If we would guide in the light of reason, we must let our minds be bold."

Alternative is Chaos

The alternative to doing nothing is chaos, and so the Bretton Woods Agreements have received our earnest and active support. Hear now a word prophecy—"this legislation which will soon come before the Senate for consideration, will pass by a very substantial majority," and I am glad to bear that testimony.

But, even as we prepare to aid the stricken nations to rehabilitation or re-establish their productive capacity, that they may sell us goods to pay for our exports to them, we must have concern for conditions in our own country. The passing of Franklin Roosevelt and the incoming as President of Vice-President Truman, is proof to the entire world of the strength of our government in any crisis, but consistent with the axiom that "Eternal vigilance is the price of liberty," we must constantly be on guard to preserve those liberties for which men have died down through the nation's history.

We may differ about many things, but on one thing we can all agree—that it is imperative to maintain the form of government which came down to us from the Fathers. I refer specifically to the Constitution and the liberties and safeguards which thereunder accrue to every citizen. These things are fundamental and must be preserved at all costs. They are a priceless heritage.

So it is well to reaffirm the great truth that governments derive their just powers from the consent of the governed, the fundamental of our Constitution setting up three separate and distinct branches of our government, the powers of none of which should be usurped by any of the others; and equality of all men, under the law. In such understanding and practice, lies the hope for generations yet unborn.

Good Sense of People to Prevail

In conclusion, I leave with you the words of one who, to me, is a truly great American—former Chief Justice Hughes of the United States Supreme Court who, in speaking to a Joint Session of the Congress some years ago, in connection with the observance of its 150th anniversary, used this paragraph in closing:

"But, in the great enterprise of making democracy workable, we are all partners. One member of our body politic cannot say to another—'I have no need of thee.' We work in successful cooperation by being true, each department to its own functions and all to the spirit which pervades our institutions — exalting the processes of reason, seeking, through the very limitations of power, the promotion of the wise use of power, and finding the ultimate security of life, liberty and the pursuit of happiness, and the promise of continued stability and a rational progress, IN THE GOOD SENSE OF THE AMERICAN PEOPLE."

To that good sense, let us make our appeal, and I have faith that it will not return to us void.

What's Ahead for the Insurance Companies?

(Continued from page 67)

In this period insurance transactions were greatly diminished or ceased altogether. Many insurance concerns liquidated or were forced out of existence. Public confidence in the insurance business practically ceased in several European countries and had to be slowly restored.

But should serious inflation come, its adverse effects will cover a wide range of business activities and, in this respect, the insurance companies will suffer with other private business enterprises along similar lines. Insurance companies, as a rule, own no physical property aside from their real estate. They do not even hold relatively, in most cases, large amounts of equity securities. They have, therefore, no ability to hedge against the losses arising from inflation.

The danger of serious inflation, however, is somewhat remote, so investors in insurance stocks have no immediate cause for trepidation. The groundwork of a drastic alteration in the purchasing power of money is not yet sufficiently manifest, though it is threatening. With the war approaching its final stages and with a sane governmental fiscal policy, we can still look forward to a period of relative purchasing power stability. The price index may continue to rise in the postwar period, but it is not likely on the basis of present prospects to cause serious alarm or disturbance of the national economy. The matter, therefore, does not appear to require at this time further consideration, since it is still something of a remote possibility, at least to a degree that would affect materially the stability and progress of the insurance business.

Insurance Rates

In the matter of insurance rates, however, there appears to be more ground for disturbance. There should be a general and widespread recognition that insurance companies must do business on a sound basis to insure their solvency. They must be permitted to charge for their services rates which give them a reasonable return. Otherwise they may be unable to carry out their obligations to their policyholders. Perhaps in no other class of public service institution have rates been so closely related to cost as in insurance. Actuarial knowledge, combined with a keen and trained judgment of risks, have resulted in rates which in the long run are fair and equitable. All this has given more certainty to the outcome of operations in insurance lines than in other classes of business. Moreover, the volume of insurance business, unlike that of railroads and industrials, is relatively steady, so that overhead expenses are maintained at a more or less regular ratio. Business volume on the whole is certainly more stable than that of banking institutions or railroads. But the recent agitation for lower rates and the steady grinding down, through regulation and competition, of insurance charges in many States as well as the liberalization of policy provisions are cutting profits to the bone. This is borne out by the aggregate figures of underwriting profits in many insurance lines over the last few decades. In 1944 fire insurance companies, as a whole, show no gains from underwriting. Their losses of $437,273,000 was the highest since 1926, and they show in the aggregate no underwriting profit. Workmen's compensation insurance has been conducted at increasing losses over many years. Automobile insurance rates have undergone reductions while the insurance policies have given wider protection to the holders. It is only in marine insurance, a field in which rates are left unregulated except by competition, that gains have been reported in the last year. But this is merely an offset of the heavy losses on marine underwriting during the early years of the war.

Fire insurance rates have been progressively decreasing for over a half century. Much of this is undoubtedly due to the activities of the insurance companies themselves through research and through supervision and advice, in reducing fire hazards as they are due to indemnifying fire losses. Yet they have received no compensation for this service. The full benefit has been conferred upon property owners through progressive reduction in rates and amplification of coverage.

Insurance commissions of the various States apparently have been competing with one another to reduce fire insurance rates below a living basis, just as they have already done in the field of workmen's compensation. Perhaps their endeavors along this line have been stimulated by the belief that within a few years the Federal Government may take over the regulation of rates as a result of the recent Supreme Court decision placing insurance under interstate commerce authority. As happened previously with the railroads, the surest way to drive the insurance business into the net of Federal domination is to harass it by cutting down earnings and forcing the companies to seek protection against ultimate confiscation by coming under the wings of a bureaucratic ridden national administration.

As pointed out recently by Newell R. Johnson, President of the National Association of Insurance Commissioners, and Insurance Commissioner of the State of Minnesota:

"Insurance is a continuing contract against future hazards. The insurance policyholder is vitally interested in the soundness and success of his insuring company—else when a loss occurs he and not the company will hold the bag. It is a short step from competition that is keen to competition that is reckless. When premiums are computed with a view to obtaining a risk rather than of compensation for it, when underrating is substituted for underwriting, history proves that calamity follows."

In the record of company failures, he stated further that "there is ample evidence that rate competition alone is a major contributing factor."

"The history of the insurance business under so-called rugged individualism does not make a very strong argument that we should now go down the road of wide open competition," he continued. "The business of insurance has grown to such a size that maybe it should be properly regarded as a public service institution. It would seem that the time has come when complete freedom of action can be allowed only in those actiivties which are not detrimental to the public interest."

Commissioner Johnson then asserted as a "middle road with regard to rates we may have to find floors and ceilings with room enough in between to allow folks to move around."

"The road itself is not yet surveyed," he remarked. "In fact, it seems almost unknowable now because three parties who must somehow travel together—the industry, the States and the Federal Government—have not agreed, and do not yet seem to know where they want to go, while all admit it impossible to stay where they are."

Unlike railroads and public utilities, insurance companies are not protected from competition through the possession of a monopoly. Their rates may be fixed by State regulation, but the volume of business of each company, as well as earning power, may be cut into by increasing and unlimited competition. As stated by J. M. Thomas, the retiring President of the National Board of Fire Underwriters, "any group of men or women in any State who can meet the qualifications of their State's laws as to character, capital and reserves required can launch a capital stock fire insurance company. They can enter the business on the same basis as the oldest and most widely experienced of any of the companies in the field. There is available the tabulated, analyzed experience of all the companies over the years, scientifically reduced to a classified rating service resting upon the mathematical accuracy of the law of great numbers over a large area and supervised by the insurance officials of the States in which any company operates.

"This business is the direct antithesis of monopoly. Without that system of rating, open to all companies on equality of terms, only the very largest companies with the broadest experience on which to base their rates could operate in the public interest. With that system of rating, all can enter on equal terms who can qualify under the laws of their home State. It is equality of opportunity and equality before the law plus equality of access to adequate rates that will protect the public against overcharge and insolvency, and in equality in contract terms under the standard policy laws. Monopoly under such conditions is impossible."

Certainly there is no public advantage in forcing insurance rates below the profitable level. The purpose of rate regulation and rate control is as much to protect the insurance carriers against depressing rates below a safe level to insure solvency as to protect policyholders against excessive or unreasonable charges. It is primarily to the public's advantage to assure a system of rates which make the insurance business profitable. The public cannot engage in economic activities or secure protection against severe accidental losses without insurance. The business is not only "affected by the public interest," but it is indispensable. If it is to be continued as a field of private enterprise, it must be placed and kept on a profitable basis. Rates should be made flexible to meet changing conditions. They should be allowed to expand as well as to contract, when circumstances require it. The constant political pressure exerted to lower insurance rates, particularly the charges of the fire companies, if continued, may prove disastrous. Of this, the public should be informed.

The only alternative will be a heavy decrease in capital invested in the insurance business, with the serious consequences of inadequate insurance facilities. One can hardly conceive a more effective detriment to business expansion than insufficient provision for the covering of all insurable risks connected with business operations. Insurance has been a prime factor in promoting productive enterprise as well as in the undertaking of capital expenditure by private concerns on the basis of low prospective profit margins.

Effect of Declining Interest Rates

Aside from severe actual and prospective rate cuts, insurance companies are faced with severe reduction in their earnings due to the artificially low prevailing interest return on their reserves. It is this source of income which has suffered the greatest reduction. And it is this source of income upon which many lines of the insurance business depend for an adequate return on invested capital. Though some companies may show "paper profits" due to the increase in market values of their portfolios, this profit can be realized only by the sale of their assets, and as the proceeds require reinvestment there will be no substantial benefit from the transaction. As investment institutions, insurance companies must in the long run depend upon an ample income return on securities. If this income declines, it must be offset by higher underwriting earnings. Thus insurance charges are related to the prevailing interest rates. As rates in many lines of underwriting have been whittled down by progressive reductions or by expanded coverages in policies, the decline in investment earnings assumes a serious aspect. Although in determining rates (except in the case of life insurance) the income return on invested reserves are supposedly not taken into account; as a matter of fact, these earnings have been a factor in the progressive lowering of rates. This has been brought about both by competition for business among the insurance companies themselves, and by the rate fixing policies of the various State insurance departments.

Unless insurance rates are increased to offset lower investment earnings, or unless expanding business and more careful selection of risks lead to better underwriting profits, reduced dividends will undoubtedly result. There is, however, prospect for some improvement in underwriting methods and rate adjustments that should lead to better operational results. Undoubtedly some of the smaller insurance companies and those which were organized since the last war (largely to speculate in securities rather than to carry on an insurance business) will be forced to liquidate. There will be fewer companies, operating on an expanded basis, with better agency plants and more efficient managements, and they will be able not only to survive, but to improve their earnings. There should be more flexibility and diversity in the operations of individual companies. They should be large enough and command sufficient capital to enable an individual company to profitably take on additional lines. The benefit of this diversification was well illustrated during the present war. Companies which write both fire and marine insurance, through offsetting losses in one field by increased gains in the other, have, as a rule, fared better than those which confined their operations to one branch of property insurance. Both large scale operations and ample capital by a single company are essential to carry on a multiple line of coverage profitably and successfully. This will mean the gradual elimination of local or small concerns, and a heavier concentration of capital investment in the insurance business.

State and Federal Supervision

A bombshell was hurled in the midst of the insurance business when, last year, the Supreme Court overturned the decision in Paul vs. Virginia, and decided, by a bare majority, that insurance was interstate commerce and therefore subject to both the anti-trust laws and to Federal regulation. This would not be so disturbing to the insurance companies were it not for the fact that the decision threatens to break down the long established system of insurance rate making through local rating bureaus. It also threatens to bring about costly readjustments, and to place the insurance companies under dual and conflicting regulations of the States and the Federal Government. Although Congress has granted a moratorium, by limiting the application of the court's decision, the matter is not definitely settled and considerable study of the problem with possibly many readjustments will be required as a result of the decision. As stated by the President of the Board of Fire Underwriters, J. M. Thomas: "The year that has gone has brought to us and our business the most serious problems we have had in three-quarters of a century. Just 11 days after our last annual meeting the Supreme Court of the United States, by a minority of its membership, overturned the precedents of three-quarters of a century—precedents that formed over the years the legal basis for the conduct of our business. It came when every pertinent resource and energy we had in our companies had been thrown into the winning of the war. It came when our manpower had been drained—as had that of all businesses, even though directly engaged in production of munitions and supplies for war. It came when our engineering and technical staffs had been reduced to a bare skeleton force in order that their long experience and high technical knowledge and skills might be put at the full and free disposal of our military forces. It came when officers and the depleted staffs of our member companies were wrestling with all the problems incident to the marvelous speed-up in war production, for the new hazards that grew out of this had to be safeguarded. It came when the inspection and protection of the property of our citizens at home and at work and at school needed more careful guarding than ever before. That service by our reduced staffs had to be stretched to cover the produce of farm and mine and forest, the great plants and warehouses and terminals, and the shipping that carried them to our own forces abroad and to those of our allies.

"It is not our purpose here to discuss the legal aspects of this case—to us, the most momentous in all our long history. Suffice to say the decision did not hold that the stock fire insurance business was guilty of any violation of the law, but rather than if the allegations charged were proven they would constitute violations of the law. It also held that the business was commerce, and where it crosses State lines, interstate commerce, and as such was subject to a number of Federal laws which up to that time had not been applicable to the business of insurance. It was this latter holding which caused so much apprehension to the insurance business and to the States. The development of the insurance business and its regulation by the States has been evolutionary. The results of the decision are in some ways revolutionary. Members of the court pointed out that we might expect a 'flood of litigation and legislation, State and national' and predicted that that decision would require 'an extensive overhauling of State legislation relating to taxation and supervision.'

"That the apprehension felt by the business, the States and the dissenting justices was well founded is supported by the records and report of our Committee on Laws, which show that the flood of litigation has already started and that extensive overhauling of State taxation is already under way," and he added that it is "our duty in this respect is even more fundamental. In addition to making clear the facts about our business, we have an obligation pressing upon us to adjust our business to two new sets of factors. One of these encompasses the problem of meeting the new conditions in business and industry due to the changeover from war to peace and to conditions of peacetime operation. This requires careful scrutiny of the services we are accustomed to perform. It requires also forward-looking imagination in devising new services that a peacetime American will need. It requires practical research anticipating the needs of tomorrow while we are performing our duties of today.

"The other factor encompasses what we must do to adjust our business to the Supreme Court's decision and to the new insurance law recently enacted by Congress. The National Board of Fire Underwriters has taken steps to accomplish this difficult task and is engaged at the moment in bringing about this adjustment as rapidly as possible. On April 10, last, as you all know, the Board in special meeting adopted a resolution asking the Executive Committee to study the legal and practical aspects of the new developments and to recommend appropriate methods of proceeding with the task of conforming the business promptly to the new conditions confronting it."

There should be no trepidation on the part of holders of insurance stocks regarding the outcome of the Supreme Court's decision. It may, indeed, have a beneficial effect in improving the attitude of a number of State Commissions toward the insurance companies. It will bring home to the public, as Mr. Thomas intimates, a realization that insurance, as a field of private enterprise, must be profitable to be effective. State attacks against insurance companies have occurred in the past. One needs only to recall the obnoxious "valued policy" laws passed in several States during the period roughly between 1870 and 1880. These laws required fire insurance companies to pay the maximum amounts of coverage, in the event of total destruction of property, regardless of the actual loss. Because many important companies withdrew their business from the States that enacted such legislation, the laws have been generally repealed. In fact, the insuring public realized in the end that any legislation detrimental to the sound conduct of the insurance business is adverse to the general welfare and should be avoided.

As stated above, the insurance business is absolutely indispensable to modern economic life. Civilization in its present form cannot exist without it. If private capital cannot be attracted to carry it on, the function must be taken over by Government. And it does not appear that the American public, fed up with "too much government in business," is inclined to assent to this socialistic trend.

Louis H. Pink, who was Superintendent of Insurance in New York State for nine years, who was instrumental in improving and reforming insurance supervision, and who throughout his administration, during a depression period, insisted that insurance companies should not cut their rates below a safety minimum, stated in his recent book, "Freedom from Fear":

"The threat of Federal regulation of insurance always hangs overhead like the sword of Damocles. If we were to start anew to devise a system of regulation, without our background of State supervision, it would undoubtedly be partly Federal in character. Insurance is a great national and international institution and cannot be viewed solely from the viewpoint of the individual States. But we have had over 80 years' experience with State supervision. It has been constantly improved and should not be scrapped. While there are some things which must be rectified in order to procure effective control on a national basis, in the main, State supervision has not only been efficient but has given satisfaction to the policyholders who are most concerned and who should have the most to say about it."

The Status of Cartels In Post-War Europe

(Continued from page 72)

to ensue, in the European theater, from putting any of them into actual operation. What is involved in "dovetailing" our policy toward international cartels with that of Europe? What will be the effects upon them and upon us of an American policy or set of policies that flies directly in the face of European tradition? What are the chances of agreement with Europe? Must our course of action be determined, willy-nilly, by the predilections and desires of European businessmen? What can we do, and what ought we to do with German cartels and combines and their trappings, and in the matter of German participation in international cartels? I can promise you no final answers to these and related questions, but I should like to talk with you about them; and I shall have some suggestions to make.

First, just to clear the atmosphere—or to color it identifiably—let me confess to my personal prejudices respecting cartels. I do not like them in times of war or in times of peace. I believe they conduce to restriction and interruption of production and maldirection of production in a world that needs more and more regular production, better directed. I believe that their operations run frequently at cross purposes with, and render much more difficult the execution of, governmental policies democratically determined, and this in political (even "military") as well as in economic areas. Cartels lend themselves as dependably useful governmental instruments only to aggressive, dictatorial governments. I do not believe that it is possible to recognize and to encourage cartels and then effectively to control their operations by democratic governmental processes.

I believe that, irrespective of their situs or the area of their operations, cartels are neither more nor less "natural" than any other form of market organization or control. In this connection I am thinking of continental Europe and Great Britain fully as much as of the United States of America, where our wide markets and developing economy have, at least until the NRA, dictated policies of competitive expansion rather than those of cartellized contraction. I believe that particular combinations of economic, social and political conditions and circumstances give rise to and strengthen the development of cartels at particular times, and in this regard I have most particularly in mind depressions, nationalistic trade policies, and governmental preparation for military and economic aggression. I believe that these conditions are constantly shifting, and that cartels are no more stable, either in fact or in philosophy, than the shifting forces which breed them. In my judgment, cartels are not peculiarly indigenous to any particular peoples or areas; it is a mistake to refer to **a cartel status** if it is meant thereby to suggest that the cartel occupies anywhere a fixed, historically determined, unchanging and unchangeable position. Traditionally, and for quite understandable reasons, cartels have flourished more in certain areas than in others, but I believe that it is fully possible, in **any** area, to root them out sufficiently to retard substantially if not to destroy their blighting effect. And we can start at any time. Right now we are spelling out the kind of economic world in which we want to live and do business. So far as cartels are concerned we certainly do not start with a clean slate, and we cannot wipe it clean. I believe, however, that it is possible for us to write quite legibly above the smear. These predilections govern what I should like to see done, and what I believe it is possible to do.

Cartel Problem Will Remain

In dealing with the special problem of the evening, I will suggest that the status of cartels in Great Britain and the status of cartels in Germany are focal. It is with Great Britain, more than with any other single nation, that we shall want, if possible, to develop a common positive policy; and if we can win Great Britain to our side, and with her aid and with at least the acquiescence of Russia, can work out a desirable cartel, combine and patent program within Germany, we shall have come well to grips with our cartel problem and be well on the way to applying some effective holds. Note that I do not say that we shall be on the way toward a permanent solution: in my view of things the cartel problem will be with us always—I do not look to the time when it will be safe for us ever to loosen our grip and turn our backs. If we fail with Great Britain, and if, for whatever reasons, we cannot carry through in our post-war dealings with Germany, we shall have to come at the problem with a new plan of attack, and with **no** holds barred. What are the prospects?

What, really, is the attitude of the British toward cartels, and particularly toward an agreed-upon anti-cartel program; and what is it likely to be? Does Great Britain favor cartels or competition? I very much fear that history gives us no clear answer, and that no clear answer is possible save in terms of alternative sets of assumed conditions. Surely most of what has been said on the subject in recent months has been loose in the extreme (I have not been wholly guiltless in this respect, myself—but until this evening I have not had occasion to commit myself directly in writing).

If the United States can be characterized at all realistically as a land of ineffective competition, it is fully as correct to refer to Great Britain as a land of ineffective cartelization. The law in Great Britain has traditionally been more tolerant than in the United States, toward cartels, but in light of the total situation in which British law has been called upon to act, it is by no means clear that the people of Great Britain have in fact taken a position with reference to the proper organization of production and marketing that differs substantially from our own. Broadly, we have given cartels every encouragement by excluding foreign competition, and have undertaken by other laws to destroy them; Great Britain has accorded them legal sanctuary, but has until very recently exposed them mercilessly to the destructive winds of foreign competition. In each country, within its particular framework, and with the situation confused by such forces as patent laws, government programs, the course and conduct of marketing and advertising, and shifting economic conditions generally together with a host of other factors, there has come to be an actual state of affairs, business-wise, which differs from that in the other country much more on other grounds than on the basis of fundamentally different approaches to the problem of cartels and competition. In both countries there is a readily discernible disposition on the part of businessmen to protect their domains from economic dangers and threats—a disposition which leads them into agreements designed to conserve for each his traditional share of the market in which he is interested. If the market as a whole is dwindling, the disposition is strong indeed—witness both the British cartel and the American NRA developments in the thirties—although, paradoxically, if the market situation becomes bad enough, the agreements will be breached. Individuals will break loose and will seek by price reductions to maintain their traditional volumes of business at the expense of the shares remaining for their competitors (their erstwhile collaborators). What **I** should like to emphasize is that the British position (or positions) on cartels, should present no mystery to American observers or American negotiators. Cartelwise, we talk the same language, respond to the same stimuli, and, with allowances for divergent economic situations and mechanisms, achieve over-all results more remarkable for their similarities than for their differences.

British Attitude

I have referred in another connection to the fact that formally "Britain's attitude toward restraint of trade has for decades been conspicuously different from our own. The British people are completely unaware of a 'trust' problem. England has no antitrust law, and agreements between producers to control prices and output and to divide markets are believed enforceable in the English courts under the ordinary laws of contract. A recent case in Great Britain sustains the legality of a demand by a trade association on a trader (whether or not a member of the association) for a money payment as the price of abstaining from putting him on the association 'stop list' for violating recognized conventions as to maintaining association-fixed prices. But, while British producers have played with the idea of 'association' for many decades, the privilege of controlling prices, output, and markets has really had little meaning for them in terms of actual results. England's century-old policy of free foreign trade and her exposed geographical position have served to establish low-standard continental competition as a continuing and effective reminder to British producers or the futility of seeking to achieve profits by restricting output and raising prices."

Cartels Not Indigenous

My conviction that cartels are not indigenous institutions and that in their coming and going they reflect shifting economic and political situations and opportunities, is bolstered very substantially by my interpretation of the sequel which the decade of the '30's provides to the story of the sad fate suffered by British cartels in the long decades prior to the '30's. In 1937 I wrote in the following vein: "But the [legal] privilege [of restraining trade] has been smoldering, and with the appearance in 1932 of a new trade policy on the part of the government, 'restraint of trade' has been transformed from a hope to an actuality. The essential condition making it possible for private industry to inaugurate effective schemes of control has been provided by the Import Duties Act of 1932 and the activities of the Import Duties Advisory Committee under the terms of that act. Britain now has a substantial tariff, and behind its protective walls industrialists are having the time of their lives tinkering with their economic system, giving vent to fixations and repressions penned up for generations, and surprising themselves with their ingenuity.

"The tariff provides the essential condition, the long-continued depression and the government's defense program have furnished the immediate motives. By the end of the depressed 'twenties British industrialists were tired of stealing each other's businesses by ruining their own, and, like industrialists everywhere, they saw price-cutting and other incidents of the depression only as competitive excesses which could and should be curbed by simple rules and restraints. The British government, feeling keenly the plight of unemployed capital and labor, aware of the growth of nationalism throughout the world, and face to face with the fact that preparedness for modern warfare means continuous and complete mobilization of industry even during times of peace, has found it essential to its program that British industries be organized as units and that each be represented by an association empowered to speak for and to commit each and all of its members." I noted that public opinion, almost unanimously, was approving, indifferent or acquiescent.

But the signs of reaction were even then becoming apparent, as I, with my fine gift of hindsight, am now in position to realize. The Import Duties Advisory Committee which had shunned governmental responsibility for the activities of the fine brood of cartels which it had been hatching was ready by 1937 to report that both industry and the public were prepared to accept a "general oversight of the policy of the [cartelized iron and steel] industry by an independent body looking to the public interest in its widest sense." There was still no indication as to how, or with what probable degree of effectiveness, such an independent body might be expected to operate, but it is significant that even while cartelization was just getting under way, misgivings were arising in sufficient degree to prompt authoritative suggestions for curbing the movement. But of even greater weight for the point I am making, is the actual response of many British industrialists to the cartelization trend. There were few outspoken recalcitrants during the middle '30's, although even then there were a handful of ominous protests, penalties were being applied against outsiders and a few rebellious members were being "told off," and "compulsion" was not an unfamiliar word in discussions of cartel projects. These years were relatively prosperous, when everyone could live comfortably under the cartel "big top," and when the memories of the jungle competition that prevailed during the years intervening since the close of World War I were still present and impressive. But when economic prospects once more turned gloomy toward the close of the decade, the break was on, and even newspaper stories of disaffection on the part of actual and prospective cartel members became not uncommon. At the very time when cartels were holding out their most alluring prospects of a safe, if not comfortable journey through stormy seas, a lot of people were rigging up their rowboats with individual outboard motors, and going overside. It will require government coercion to make the British cartel movement anything more stable and predictable than the allegedly chaotic competitive situation from which it is held out as an orderly, rational escape. Lancashire will always be as full of competition as of cartels, operating and incipient.

U. S. Must Oppose Cartel Policy

I am aware of recent pronouncements by Lord McGowan and other leading British industrialists and representatives of industrial associations—pronouncements hostile to competition and wholly receptive to cartelization. I am also aware of contrary opinions, and I still say that the British opinion that counts is uncertain and open to argument. Telling arguments, however, will not take the form of accademic presentations; what Britain needs in order to muddle in the direction of competition rather than toward cartelization, is the logical argument of events. A demonstrated determination on the part of the government of the United States to do its utmost both to break down and keep down governmental barriers to free world trade and to take positive measures to facilitate world trade will set the stage; and in such a setting, a similar demonstration of our determination to proceed, even unilaterally if necessary, against the private cartelization of world trade has an excellent chance of bringing Great Britain actively into allegiance with us. Britain was curling up in the '30's; industrially she was spent. Post-war Britain, revitalized and in a free world economy, has no business in bed with the cartel covers pulled up over her ears. I doubt very much whether she will be found there, in fact, and I am very sure that we have it quite within our power to keep her out. I shall have a brief further word to say on this at the close of my talk.

Our main problem, and an inescapable one, is Germany. For security reasons we cannot avoid dealing positively with German cartels and German participation in international cartels—and I may add that it is delightful to find that what I regard as necessary on grounds of security is so thoroughly congenial on grounds of economic welfare.

Security and German Cartels

Just a word on the angle of security. It has been demonstrated time and time again in recent months, and certainly to my own complete satisfaction, that cartels and combines and patent contracts have been employed skillfully and successfully by the Nazi government as instruments of economic and political penetration, military intelligence and sabotage, in Europe and in North and South America. I shall not belabor you with specifications and examples. The horror stories of chemicals, drugs, medicines, hormones, titanium, optical and aircraft instruments, dyestuffs, munitions, aluminum, matches, potash, alkalis, synthetic rubber, magnesium, plastics, glass, and of I. G. Farben and its ilk, have been told by Berge and Borkin and. Welch and Edwards, and in scores of articles and in testimony before courts and investigating committees. To stamp out Nazism and to prevent its resurrection it will be necessary to free the world of the possibility that these devices shall ever again be available to the German people. On security grounds alone the cartel in Germany and German participation in international cartels, together with German international combines and German participation in restrictive patent arrangements, must be done away with.

It may be argued on this point that it is childish to permit one's anger over the misuse of an instrument or device to lead to a condemnation of anything beyond the misuse. The cartel, the argument runs, is entirely neutral in these matters, just as banks or any other kinds of economic agencies are neutral; the fact that any of them can be perverted does not lead reasonable men to condemn the whole array of institutions out of hand. The answer to this, it seems to me, is that the cartel is not a neutral institution. It is, by its very nature, designed to slow down production and to promote the interchange of technical information within its own four walls. These are exactly the ends which an aggressive, dictatorial government, with conquest in its eye, would like to see accomplished in lands other than its own—just as long as its own members are free (under the typical cartel clause that releases a member, under compulsion from its government, from cartel restrictions and obligations) to produce to capacity and to withhold information from members in other countries. Restrictions on market areas, a normal feature of cartel operations, serve easily and effectively to stem the flow of strategic items into countries which are likely to be met later on the field of battle; and mutual aid provisions can be operated to impair the effectiveness of an enemy blockade and to reduce the danger of loss of foreign markets. These are normal features of cartel operation: if the Nazis have made warlike use of the cartel let us say at most that they have **adapted** it to their ends—not perverted it. And I would add for re-emphasis something which I suggested earlier, that democratic governments cannot control cartels, and cannot use cartels (contrast the government cartel relationship in Germany with that of the British in the '30's). A democratic government, if it recognizes and accepts cartels cannot decently even be suspicious of its activities.

And in conclusion on the point of security, I would add that I am concerned not only with protection against a resumption of Nazi activities but, more broadly, with eliminating through the eradication of private cartels generally, one of the major instruments available to any government which seeks aggression and is smart enough to recognize and use an efficient tool ready at hand.

Germany's Defeat and End of Cartels

But I would be less than frank if I did not concede quite openly that it is not alone on security grounds that I base my case against German cartels and German participation in cartels. Because I should like to see an end to all private international cartels and because Germany has been their principal home and source, their driving force and inspiration, I should like to take advantage of an opportunity that can come only rarely on this earth—the chance which the fact of a completely conquered Germany will afford us to pull up the whole institution of international cartels by the roots. Here is the physical core of our problem, the real festering point. We will be on hand and we will have the means—if we have the will and the courage. So far as our program entails the control internally of Germany we shall have to have the consent and coopera-

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The Status of Cartels In Post-War Europe

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tion of the other control powers; this means simply that we do not have, at the moment, a clear field, and that our first steps must be to convince our allies of the soundness of the course we propose. But this does not alter the character of the problem, nor need we regard these first steps as different in kind from the steps which we and our allies must take first in connection with all projects which any of us may have in mind for execution in Germany and which call for joint action on the part of the allies as a group.

Germany's participation has been an essential feature of such international cartels as we have known, and German domestic cartels and combines have been basic to Germany's activity in the international field. Here is reason enough to seize upon the occasion to strike directly, and as powerfully as possible, at cartels within Germany, even at the cost of having to plead guilty to the charge of interfering with the "traditional" economy of the country. I will have a word to say in a moment about how "traditional" the cartel really is, in Germany, but I will confine myself now to the comment that both the Nazi government since it came into power, and the inevitable devastation of the war itself and the indisputable terms of the peace that must follow will combine to remake the economy of Germany much more completely (and unrecognizably) than will the eradication or damaging of domestic cartels. Note that I say eradication **"or damaging."** I am quite prepared to accept the proposition that it is impossible for any allied government to impose a completely effective "anti-trust" program upon the German people against their will, if by "completely effective" is meant the absolute elimination of all combinations, agreements and understandings, secret and open; and I would be the first to cite the history of our own anti-trust laws to support the proposition. Yet I would point to that same history, and I would add to it the story of the transformation by law of the cartel in Germany, both under the Republic and under the Nazis, as a demonstration of the equally valid and far more significant propositions that laws are not without effect, and that cartels hounded by the law, driven from pillar to post, and forced always into a defensive position are altogether different in character from, and, so far as I am concerned, altogether better in character than, cartels in the same economic setting, accepted and encouraged by law. Maybe you can't destroy 'em, but you can certainly mess 'em up!

We know of the argument that cartels as presently existing in Germany have not been for many years the same "free, untrammeled" forms of business organization which they were before the Nazi government laid its dread hand upon them—that in the hands of the Nazis they have become agencies for the execution of measures of government control—the direction of production and the allocation of materials and products—and that we might be wise to accept them, adapt them to our own purposes and employ them as agencies for the carrying out of the economic controls we propose to institute in Germany. We would not be encouraging monopoly or restriction, but simply taking advantage of a working mechanism that good fortune has provided ready at hand. I don't know how many cartels will be left uncrushed by Patton's tanks, but I am quite sure that in the rubble we can find, or out of the rubble we can create better—and certainly more reliable — instruments of control than these. The cartels now in existence in Nazi Germany bear little resemblance to freely-formed, voluntary organizations for the prosecution of peacetime business: they are different in purpose, and they certainly are manned by a personnel altogether unsuitable for any peacetime use which we could afford to permit. We may be certain that they would not be spontaneously co-operative; indeed, we may expect that they would serve as centers of intrigue and resistance, operating behind the shield of an accepted institution, whenever allied policies ran counter to the desires of the members. Further, even if we were convinced (which I am not) that we ought to be completely neutral in the matter of Germany's organization of her peace time economy, we will scarcely be neutral by adding to whatever status these cartels may otherwise have, the prestige of endorsement and use by Allied authorities. Finally, we shall unquestionably undertake, if only as a measure absolutely necessary from the standpoint of security, the very substantial breakup of major German industrial combines. It will scarcely make sense for us then to permit openly through the instrumentality of cartels the achievement of purposes which we are unwilling to contemplate as the fruits of forbidden combines. Let us by all means salvage such cartel records as we can discover and make such use of them for purposes of control as may seem fitting (together, incidentally, with the services of any cartel officials whom we may deem to be reliable). But let us employ records and men alike apart from the cartel institution as such. We will not, in my judgment, forward the cause of effective Allied controls or, indeed, the cause of decent self-determination by the German people in matters which we want to leave to their determination, by protecting and employing organizations which we have reason to regard as wholly undesirable in their own right, both economically and politically.

Cartels Native to Germany

If cartels are "natural" or indigenous anywhere in the world, they are certainly native to Germany. For many decades the German economy has been characterized by cartel organizations enjoying various and varying degrees of prosperity, and German cartels have lain at the center of Europe's variegated international cartel economy, and have, as well, frequently stretched forth an eager hand to grasp the welcoming hand of a companion cartel in Great Britain and in the United States. It cannot be questioned that cartels are deeply imbedded in the German economy, but this is far from an assertion that cartels are, themselves, part of the bed-rock. I am not a student of German economic history but I am willing to assume that never in modern times has the German economy been free of cartels, combinations or agreements to restrain trade, and further that never has the attitude of the German people taken a turn as vigorously opposed to cartels as that taken by the people of the United States. It is interesting, however, and I believe significant, to note that the course of cartels in Germany has not been uniformly smooth, that the attitudes of the people and of the government toward cartels have been different at different times, and that the organization and activities of cartels have responded both to changing economic situations and changing laws.

Accounts of the development of cartels in Germany since the 1870's are full of such propositions as "The first important cartelization occurred during a period of generally depressed business conditions;" "a prolonged depression following a severe crisis, with exaggerated productive capacity facing slackening markets, led to keen competition and in turn to agreements restricting output and regulating sales;" "protective tariffs promoted by heavy industries seeking to safeguard their over-capitalized concerns against foreign competition, provided an adequate basis for cartelization;" "the movement came to an almost complete standstill during an ensuing period of prosperity;" "when expansion stopped, a new cartelization movement set in, extending over the period of depression;" "the period during which cartelization on a nation-wide scale became basic to important strata of the economic structure comprises two phases of economic contraction;" "the home market, though protected against foreign competition, was limited in its power to expand, and expanding productive capacity in various industries endangered the prospects of a profitable market. Such a situation lent itself to the conception of the home market as something capable of being divided and distributed among the competing firms, as an offset to market weakness."†

I am not concerned with establishing the exact scientific validity of each of these statements in relation to the particular cartel development immediately referred to, and I certainly am not attempting to maintain that cartels find their sole origin in contracting markets. I do assert, however, that the development of cartels in Germany can be attributed very largely to the same kinds of forces that have operated elsewhere to promote cartelization. It is probably true that the notion of "ordered" as distinct from "competitive" business is congenial to what we have come to accept as the German mentality, but I don't believe that there is such a thing as an "inherited instinct to cartelize" even in Germany. I prefer to think that cartels are largely a matter of "acquired taste." I am quite sure that with more favorable prospects for the marketing of the possible output from a highly efficient productive plant than have prevailed for Germany generally

†These statements are paraphrased from the discussion in Karl Pribram, **Cartel Problems** (The Brookings Institution, 1935), pp. 241-250.

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Devine Admits Dunn, Kreitler and Revits

C. J. Devine & Co., 48 Wall Street, New York City, dealers in United States Government securities announce that Stewart A. Dunn, Carl J. Kreitler and Samuel Revits will be admitted as general partners in the firm, as of July 1. This is the first time in more than ten years that C. J. Devine & Co., has admitted new partners. Mr. Dunn, who has been with the firm since its inception, is assistant in charge of branch offices. Mr. Kreitler, with the firm for eight years, directs institutional sales in New York and Mr. Revits, associated with them for ten years supervises sales in the metropolitan district.

Stewart A. Dunn

Carl J. Kreitler

Samuel Revits

Insurance Against Communism: Babson

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are now being successfully carried on in small communities and which still have a good future. This future is being enhanced by the improved living conditions, with lower costs for rent and food, better transportation facilities and lower freight rates, and especially by very much better labor conditions.

Metal Industries

1. **The sale and repairing of agricultural machinery** offers an excellent opportunity for those who have a combined sales and mechanical ability.

2. **The sale of automobiles and the operation of garages** offers similar opportunities.

3. **Electrical household equipment combined with battery service and the sale and repair of heating and cooking apparatus.**

4. **The sale and repairing of furniture**, especially in connection with upholstery.

5. **Printing, book binding and engraving.** These industries, even today, are the most successful in small communities.

Food and Drink Industries

1. **Ham or bacon curing, and the manufacture of "country" sausages.**

2. **The baking trade**, although communities supporting this should be suburban rather than isolated.

3. **Butter, cheese, condensed milk and margarine.**

4. **Cattle, poultry and dog foods**, especially the latter.

5. **Soft drinks, cider, vinegar, wines, cocoa and confectionery.**

Miscellaneous Industries

1. **Building materials such as timber, bricks, fire clay, paints and varnishes.**

2. The manufacture and distribution of **brushes, canvas goods, crates, bags, rope and twine.**

3. **The tanning and dressing of leather, also saddlery, harnesses, etc.**

4. **Fertilizers, disinfectants, glue, etc.**

5. **Games, toys, and sport requisites.** The manufacture of these is especially adaptable in small communities in hardwood sections.

Asks Senate Delay Action On Bretton Woods

U. S. Chamber of Commerce Sees Need for Study and Discussion. Seeks Safeguards in Interpretative Provisions and Integration of Fund and Bank. Wants No Pressure on Our Tariff, Investment and Trade Policies.

Amendment to the Bretton Woods Agreements enabling bill to provide additional safeguards in the operation of the proposed International Monetary Fund was urged upon the Senate Banking and Currency Committee on June 25 by the United States Chamber of Commerce.

Specific suggestions for a strengthening of interpretations and other improvements in the bill as passed by the House were offered in a statement from the Finance Department of the Chamber, headed by John J. O'Connor, its Manager, and filed by Howard L. Volgenau, Manager of the Chamber's Department of Governmental Affairs.

The Chamber's statement is supplemental to an earlier report from its Finance Department Committee giving approval to the objectives of the Bretton Woods Conference and recommending immediate establishment of the proposed International Bank for Reconstruction and Development but proposing deferment of action on the proposed Monetary Fund. Under this proposal, the Board of Governors of the Bank would assume interim stabilization responsibilities under powers permitted in the Articles of Agreement while preparing recommendations to the nations for a permanent program involving either a broadening of its own powers or the perfecting of the Monetary Fund plan.

The Chamber's statement to the Senate Committee says that to such extent as the new provisions in the House bill safeguard the operations of the Monetary Fund "the purpose is identical with that of the Chamber's Committee in proposing immediate establishment of the International Bank but deferment of action on the Fund pending a clarification of various doubtful points and attainment of more favorable conditions."

"Dangers in connection with the operation of the Monetary Fund," says the statement in summarizing its suggestions, "would be further lessened if the enabling bill were amended in the following particulars:

"(1) Strengthening of the interpretative provisions in Sections 13 and 14 by (a) requiring their acceptance by other nations in advance of the establishment of the Fund and Bank, (b) placing a time limitation upon the use of resources of the Fund and eliminating 'cyclical fluctuations in balances of payments' from those for which temporary assistance may be granted, and (c) adding a definite requirement for consideration by the management of the Fund of the economic status of borrowing nations.

"(2) Better coordination and integration of the Fund and the Bank by requiring the appointment of the same person as the American executive director of the two institutions as is provided in the House bill with regard to the respective Governors. Other nations should be requested, or if advance commitments are deemed feasible, obligated to appoint the same persons on the management of the two institutions.

"(3) Modification of the enabling bill to prevent or limit exertion of pressure upon the United States with respect to tariff, investment and trade policies under the scarce currencies provision of the Fund agreement.

"(4) Revision of financing provisions with a view to adoption of a procedure by which our contributions would be a budget expenditure rather than a public debt transaction. There should be a canvass of all proposals for expenditures in connection with world affairs and avoidance of methods designed to conceal the costs from the taxpayers.

"The proposals for American participation in an International Monetary Fund and an International Bank for Reconstruction and Development are too important to be acted upon without the fullest opportunity for discussion. Before a final vote is taken in the Senate there should be sufficient time for study by interested persons throughout the country of the voluminous hearings before the two committees in Congress.

"The objectives of the Bretton Woods Conference are not at issue. Points of difference involve details of the proposals and safeguarding provisions. Public discussion of the widest possible character will be conducive to our participation in the Monetary Fund and International Bank on a basis most favorable to our own interest and to the economic welfare of the world."

The International Fund And Exchange Restrictions

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provided equivalent to eight billion eight hundred million dollars in gold, dollars and other currencies.

With this clear statement of objectives and of the means to their attainment and provision of a reasonable amount of money in the Fund to implement their attainment, it would be fair to assume that effective provision would be made to establish a clear connection between the means and the end to insure that the means provided would accomplish their purpose.

Exchange Restrictions Not Eliminated

Exchange restrictions used to channel and control international trade are the most pressing problem with which the Fund must deal. Obviously these exchange restrictions, prevalent throughout the world today, cannot be done away with instantly by a mere stroke of the pen. The simplest way to begin to eliminate them would, therefore, seem to be to vest the management of the Fund with power to deal with them one by one in a practical way adapted to the special circumstances of each case. Manifestly one of the most practical ways of dealing with the problem would be for the Fund's management to make or withhold loans from the Fund depending on whether or not such loans were related to agreed terms and conditions eliminating or tending to eliminate exchange restrictions.

Instead of this, during the Transitional Period, the Fund's management is deprived of all power to use the Fund's resources as a means of freeing international trade of oppressive and subversive exchange controls. This situation results not only from the unconditional automatic quota basis on which the Fund's resources are to be loaned, but also from the specific provision of Section 2 of Article XIV, which, during the Transitional Period, leaves the entire matter of exchange controls unrestricted and unregulated by providing in the most sweeping terms that "in the post war transitional period members may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions."

The words "restrictions on payments and transfers" mean exchange controls which may be availed of to control and channel international trade. Under these provisions, the Fund can take no effective action about exchange restrictions during the critical Transitional Period, and its best method of dealing with such practices, namely, making the use of its resources conditional on amelioration of such practices, is literally thrown away.

World Trade Cannot Wait

Now I respectfully submit that world trade cannot wait five years for relief from exchange practices prejudicial to international trade movement. Five years is no passing phase. It is a very long time in the life of any business, certainly too long in the life of world business strangled by restrictive and subversive practices. The very underlying basis of Bretton Woods and the urgency for its adoption are that world trade is suffering from restrictions and impediments **now** that must be removed. A patient in the condition on which Bretton Woods is premised cannot wait five years for help. The trade of every nation in the world needs help **now** not five years from now.

The status of the Sterling Area under the Bretton Woods Plan during the Transitional Period illustrates my point. It is generally agreed that the Bretton Woods Plan does not require abandonment of monetary trade practices such as the Sterling Area during the Transitional Period.

The Sterling Area

The Sterling Area comprises the countries of the British Commonwealth (except Canada and Newfoundland), and the British Protectorates, and certain European countries. Affiliated with it, through compensation agreements, are most of the countries of South America, and a growing number of the countries of Europe. These countries have agreed in substance to accept the pound sterling, blocked in London, in payment for their products sold to Great Britain and to some extent to other members of the Sterling Area. This blocked sterling can be used only for purchase of goods or services from Great Britain, or, under certain circumstances, from other members of the Sterling Area. It cannot, generally speaking, be made available by conversion into dollars for purchases in the United States except, and only then with the consent of the Bank of England, where the commodity to be purchased is not obtainable in the Sterling Area.

Mr. Paul Bareau, who holds, I believe, some position with the British Treasury, writing in "The Banker" of London of March, 1945, describes the Sterling Area as "an instrument of economic warfare; a battering ram with which to open the door to unwilling markets; a spiked fence of discriminatory devices with which to keep unwanted goods from unwanted sellers out of the Empire market."

Illustrative of how the Sterling Area operates in practice:

1. The New York "Herald-Tribune" of May 18, 1945, carries an article to the effect that the Egyptian National Airline M.I. S.A., desiring to purchase certain Douglas aircraft, was advised by the British authorities that the airline's "blocked sterling could not be made available for maintenance of such planes unless the job was turned over to the British Overseas Airways Corporation" and "meanwhile offered for delivery late this year a transport going into production next fall" of British production "which qualified designers describe as a stopgap model 'not as good as a DC-3' ". The article further states that this "threatened action" has been sufficient to bring American sales programs in the entire area to a standstill. The South African government, although interested in American planes which were demonstrated at Johannesburg in March, has told the American representative, in effect, that its hands are tied.

2. In the year 1938, for example, the combined exports of Chile, Peru and Bolivia, now parties to sterling compensation agreements, to countries in the sterling area, amounted to some 77 million dollars. The combined imports of Chile, Peru and Bolivia **from** sterling area countries in the same year amounted to 21 million dollars. A large part of the difference of 56 million dollars was at that time convertible into dollars for the purchase of goods in the United States and in other markets. Now this 56 million dollars could not be used for such purchases as the blocked sterling resulting from the sale of the South American countries' exports to the Sterling Area would have to be spent in the Sterling Area and could not be converted to dollars for purchases in the United States or other countries outside the Sterling Area. Add to this 56 million dollars similar diversion of trade from other Sterling Area countries and the far-reaching effect on American exports is apparent.

3. One of the countries of South America which sells a large part of its exports to the Sterling Area for pounds sterling has employed some of the resulting pounds to purchase commodities which are imported to the South American country and sold there in the currency of the country at as much as 20% under normal price. This is, of course, merely a method of converting pounds sterling into local currency by taking a discount on the pounds. This is a familiar practice under which undisclosed currency depreciation takes place and undue competitive advantage secured, through monetary controls, for the exports of one country over those of another.

4. Supplementing and facilitating the functioning of the Sterling Area program, British manufacturers are engaging in an extensive advertising campaign of British machinery and manufactured products in South America.

Must Expand Foreign Trade

Grant the validity of Britain's justification of the Sterling Area in the necessities of her post-war economic situation, and every desire on the part of the United States to assist in the solution of her problem. This does not mitigate the disastrous implications of this form of monetary control of international trade to American foreign trade and that of other countries outside the Sterling Area. A flourishing American export trade and related American Merchant Marine are essential to provide full post-war employment and to maintain the business and industrial structure necessary to sustain our post-war obligations, our necessarily large post-war naval and military establishment and our standard of living. Correction, by action fair to all concerned, of restrictive trade practices making such an export trade and Merchant Marine impossible cannot be put off for five years. Unless the management of the Fund has authority from the outset, and while its resources are intact, to use those resources in an intelligent way directly and specifically to facilitate elimination of the necessity for such trade practices, the one best chance to accomplish the stated objectives of the Fund will be lost.

Most of the objections to the Fund would be met by an amendment giving the Fund's management authority to use its resources from the outset to make loans on a selective basis in a manner not only making possible but requiring the easing and elimination of exchange restrictions to the fullest practical extent as a condition of loans from the Fund. Such an amendment would make it possible for the Fund to perform its intended function as an effective means of removing exchange controls and blocs as barriers to international trade and would enable it to assist in a very important way in the reestablishment, "extension and balanced growth of international trade."

SEC Amendment to Short Selling Rules

The Securities and Exchange Commission on June 13 announced that it had amended one of the provisions of its short-selling rules, paragraph (b) of Rule X-10A-2. In general, says the Commission, the preceding rule, Rule X-10A-1, regulates the pricing and marking of short sales, and paragraph (a) of Rule X-10A-2 requires the covering of short sales improperly executed as long sales. Paragraph (b), the subject of the amendment, provides an exemption from the requirements of paragraph (a) in some cases of mistake, provided that the exchange upon which the sale was effected makes certain finding relating to good faith and diligence and to the hardship which would result from covering the transaction by a "purchase for cash." The Commission further says:

"The amendment eliminates the necessity for the Exchange's making the finding of **hardship** where the mistake was made by a broker and the price at which the sale was effected was at a level permissible for a short sale under the pricing provisions of Rule X-10A-1 (a). No change is made in the requirement that the Exchange make a finding of **good faith** and **due diligence** in the marking of the order before relief can be granted.

The text of the Commission's actions follows:

The Securities and Exchange Commission, deeming it necessary for the exercise of the functions vested in it and necessary and appropriate in the public interest and for protection of investors so to do, pursuant to authority conferred upon it by the Securities Exchange Act of 1934, particularly Sections 10 (a) and 23 (a) thereof, hereby amends paragraph (b) of Rule X-10A-2 to read as follows:

"(b) The provisions of paragraph (a) hereof shall not apply (1) to the lending of a security by a member through the medium of a loan to another member, or (2) to any loan, or arrangement for the loan, of any security, or to any failure to deliver any security if, prior to such loan, arrangement, or failure to deliver, the exchange upon which the sale requiring the delivery of such security was effected finds (i) that such sale resulted from a mistake made in good faith, (ii) that due diligence was used to acertain that the circumstance specified in clause (1) of Rule X-10A-1 (c) existed or to obtain the information specified in clause (2) thereof, and (iii) either that the condition of the market at the time the mistake was discovered was such that undue hardship would result from covering the transaction by a 'purchase for cash,' or that the mistake was made by the seller's broker and the sale was at a price permissible for a short sale under Rule X-10A-1 (a)."

Bolivia-British Sterling Agreement

Continuing its publication of British bilateral "Sterling Area" exchange compacts with various nations, the "Chronicle" publishes below the agreement between the Central Bank of Bolivia and the Bank of England, dated March 31, 1941, relating to the settlement of all financial and commercial payments between Bolivia and the Sterling Area. This agreement, though similar in some respects to the arrangements made with Peru (published in the "Chronicle" of May 31, page 2398) and to the Anglo-Chilean Exchange Agreement printed in the "Chronicle" of June 7, (2508), it differs sharply in that provision is made that the Bank of England, under authority of the Government of the United Kingdom, in accordance with an Anglo-Bolivian Agreement of the same date, shall place gold at the disposal of the tin companies for amounts due them. The effect of this is that Bolivia receives or may receive gold in exchange for tin, and is not required to limit its payments from the "Special Tin Accounts" to residents within the "Sterling Area."

Text of Agreement

The Central Bank of Bolivia and the Bank of England have agreed to the following:

1. All financial and commercial payments between Bolivia and the Sterling Area shall be settled in sterling. The Central Bank of Bolivia shall quote rates for sterling in terms of the Bolivian peso based on the official middle price for gold in London (which, at 168 shillings and 6 pence per fine ounce, which now prevails, is equivalent to U. S. $4.03 per pound sterling) and on the current quotations fixed by the Bolivian monetary authorities for the United States dollar.

2. All payments for importations by the United Kingdom of Bolivian tin will be made in sterling to Special Tin Accounts which shall be opened by the tin companies in their banks in the United Kingdom. These Special Tin Accounts shall be registered at the Bank of England.

3. The Bank of England, under authority of the Government of the United Kingdom, shall place gold at the disposal of the tin companies in accordance with the terms of Articles 6 and 7 of the Agreement signed March 31, 1941, between the Government of the United Kingdom and the Government of the Republic of Bolivia.

4. All payments for exports from Bolivia to the Sterling Area—other than exports of tin to the United Kingdom—and all payments from the Sterling Area to Bolivia originating from current financial transactions, shall be credited to the Special Accounts of the Central Bank of Bolivia at the Bank of England or with their other correspondents in the United Kingdom, or to Special Accounts which may be opened in the name of banks or other entities or firms operating in Bolivia with their correspondent banks in the United Kingdom. Special accounts may only be opened upon advising the Central Bank of Bolivia and with the previous consent of the Bank of England and registry there. Henceforth the Special Accounts referred to in this paragraph will be called Bolivian Special Accounts.

5. The Bolivian Special Accounts and the Bolivian Special Tin Accounts may only be used for payments due from Bolivia to the Sterling Area. These accounts may not be used for payments due to a non-resident, except as provided in clauses 6, 7 and 12 of this Agreement and except for any other provisions that may be agreed upon from time to time by the Central Bank of Bolivia and the Bank of England. A "non-resident account" means the account of any person resident outside the Sterling Area, as it is defined in Clause 13. Funds in sterling standing to the credit of all Bolivian Special Accounts and Bolivian Special Tin Accounts may be freely transferred between these accounts at any time.

6. Sums in sterling standing to the credit of Bolivian Special Tin Accounts may be sold to the Central Bank of Bolivia at the rates of exchange laid down in Clause 1, by means of transfers to Bolivian Special Accounts.

7. The Bank of England authorizes the Central Bank of Bolivia to sell pounds sterling to the Bank of Brazil, the Central Bank of Chile and the Central Reserve Bank of Peru, as also to the central banks of other countries with whom agreements may be made for the transfer of Bolivian pounds sterling, at a rate of exchange based on the official rate laid down in Clause 1 of this Agreement and up to the limits fixed in communications that have been or may be exchanged between the Bank of England and the Central Bank of Bolivia; it being understood that these limits may be changed at any time by consent of all the interested parties. The Bank of England, nevertheless, reserves the right to suspend unilaterally such transfers in case the balances in sterling in the Special Bolivian Accounts and the Special Bolivian Tin Accounts should be insufficient at any time to cover all the financial, commercial or other payments owed in sterling by Bolivia to the Sterling Area and the Bolivian authorities should find themselves unable to fulfill their commitment to sell United States dollars to the Bank of England in accordance with Clause 8 of this Agreement.

8. The Bolivian authorities shall take all possible steps in cooperation with the United Kingdom Exchange Control, operating in London to ensure that all payments and remittances from Bolivia to the Sterling Area will be made from funds deposited in Bolivian Special Accounts and Bolivian Special Tin Accounts and in no other way. If the balances of the Bolivian Special Accounts and the Bolivian Special Tin Accounts should at any time be insufficient to meet the Bolivian sterling requirements, sterling will be purchased from the Bank of England in the amounts necessary for credit to these accounts, the sterling to be purchased with United States dollars at the current buying rate for United States dollars in London.

9. The sterling balances which, at the close of business on Oct. 5, 1940, were standing to the credit of persons resident in Bolivia may be transferred to a Bolivian Special Account.

10. In the event of any change in the official price of gold in London, balances standing to the credit of the Bolivian Special Accounts and the Bolivian Special Tin Accounts shall be established as at the close of business on the day preceding such change. The total of Bolivian Special Account balances and Bolivian Special Tin Account balances so established shall be adjusted to the new official London price of gold by credit or debit of the Special Account of the Central Bank of Bolivia at the Bank of England.

11. Upon expiry of this Agreement:

(a) The provisions of Clause 10 shall continue to apply to balances held in Bolivian Special Accounts and Bolivian Special Tin Accounts.

(b) Balances remaining in Bolivian Special Accounts and Bolivian Special Tin Accounts shall be utilized for the purposes laid down in Clause 5.

12. Notwithstanding the foregoing provisions of this Agreement, the Bank of England may authorize—informing the Central Bank of Bolivia beforehand—the opening or maintenance of accounts with banks in the United Kingdom, to be designated "Bolivian Sterling Area Accounts," in the names of individuals resident in Bolivia but having close connections with any territory in the Sterling Area. These accounts will be available for use in accordance with the regulations in force regarding Sterling Area Accounts. Payments from Bolivian Sterling Area Accounts may not be made to any other account (other than a Bolivian Special Account or a Bolivian Special Tin Account) of a person resident outside the Sterling Area; and transfers between one Bolivian Sterling Area Account and another will not be permitted. Transfers from a Bolivian Special Account or a Bolivian Special Tin Account to a Bolivian Sterling Area Account will be freely permitted.

13. In this Agreement the expression "The Sterling Area" shall have the meaning assigned to it by the regulations in force in the United Kingdom in regard to exchange control, that is to say, at present: the United Kingdom of Great Britain and Northern Ireland (including for this purpose the Isle of Man) together with the following territories, excluding Canada, Newfoundland, and Hong Kong:

(a) any Dominion,

(b) any other part of His Majesty's dominions outside the British Islands,

(c) any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any Dominion,

(d) any British Protectorate or Protected State,

(e) Egypt, the Anglo-Egyptian Sudan, Iraq, the Belgian Congo, Ruanda-Urundi. It is understood that if His Majesty's Government in the United Kingdom shall at any time amend the definition of the Sterling Area for the purposes of the said regulations, such amendment shall apply to the definition of the Sterling Area for the purposes of this Agreement as from the date of the notification to that effect from the Bank of England to the Central Bank of Peru.

14. This Agreement shall take effect from the date of signature and shall remain in force until the date on which a general armistice is signed between the United Kingdom and Germany. The Agreement shall remain in force after that date subject to the right which each of the contracting parties shall have of denouncing it, in writing, to the other at any time, with six months advance notice. If it should happen that hostilities should be renewed between the United Kingdom and Germany, at any time, within three months after the signing of such an armistice, then any denunciation shall be considered void in respect to all the provisions of this Agreement.

Signed in La Paz, in duplicate, March 31, 1941, in Spanish and English, both texts being equally authentic.

Bank of England.
Central Bank of Bolivia.

Municipal News & Notes

In its annual "Mid-Year Review of the Municipal Bond Market" Halsey, Stuart & Co., Inc. states that "The end of the European war and the resulting assurance of speedier termination of the war with Japan calls for a new appraisal of the factors governing the course of the municipal bond market."

The Review discusses in turn the probable trend of interest rates, taxes, volume of post-war financing, and demand factors, these constituting, according to the investment organization whose views it expresses, the basic determinants of price trends in the period ahead.

Under the heading of interest rates, the Review expresses the opinion that they will remain low for a considerable period ahead. "There is, first of all, the desire on the part of the Federal Government to keep rates low as a means of managing the huge federal debt—at least until the debt is put on a reasonably permanent basis. Equally important is the necessity of protecting holders of outstanding government issues from any substantial market decline such as would result from material increase in interest rates."

"Aside, however, from the desire of the Federal Government to hold rates during the war and early post-war years at somewhere near prevailing levels for the reasons given, there is the important consideration that demand for new capital from private borowers, even though greatly increased in the post-war years (which in itself remains to be demonstrated), may reasonably be expected to be met without material advance in interest rates because of the vast accumulation of available resources built up during the war years.

"While the early prospect of any material advance in interest rates thus appears improbable, further decline from existing unprecedently low rates seems equally unlikely because of the potentially adverse social and economic consequences of any such developments."

Pointing out that the course of municipal bond prices is inextricably bound up with taxes since their primary security is based upon local tax-receipts and their price trend largely dependent upon exemption from Federal taxation, the Review states that "Tax receipts may reasonably be expected to be well maintained in the post-war years although some decline from the abnormal wartime level of tax receipts appears likely."

Among local municipalities the transition period may present greater problems than among the States, according to the Review. "Such communities have neither the reserves nor the variety of tax sources to draw upon that the state governments have and, while real estate valuations have recently shown a reversal in their previous downward trend (thus increasing real estate tax receipts, their primary source of revenue), such increase will probably not in itself offset the higher operating costs which confront local governments."

With the major tax producing fields so largely pre-empted by the Federal and state governments, many municipalities are exploring, and some have already introduced new sources of revenues, the Review points out, and adds that active efforts are being made in many quarters for a more equitable distribution of state collected taxes, notably sales and gasoline levies, as well as for some reapportionment of already accumulated state reserves.

Commenting on the action of the United States Supreme Court early in the year in upholding the tax-exempt status of municipal bonds, the Review remarks that "Whether this represents final disposition of the question is doubtful. While there is every reason why previously issued municipal bonds, offered and purchased in good faith as exempt from Federal taxation, should retain that stipulated advantage, Congress may conclude there is less valid reason why, in view of the revenue needs of the Federal government, subsequently issued bonds under proper constitutional authority should not be subject to such taxation.

Also, with the continued extension of state and municipal governments into proprietary fields, some of perhaps questionable wisdom, the obligations issued in connection therewith may be subject to further atack. Even now a bill is pending in Congress (the Carlson Bill) designed to eliminate tax exemption from utility revenue bonds issued after Jan. 1, 1945. Also significant, is the recent decision of the Ohio Supreme Court holding that property of Cleveland's municipally owned street railway system is taxable."

Turning to the post-war prospect of new municipal financing, the Review observes that "Considerable increase over the volume of the war years is a certainty, though whether it will reach the extravagant total envisaged by some remains to be seen. The answer to this appears to depend largely upon the willingess or unwillingnes of taxpayers to approve additional indebtedness and this in turn is probably dependent upon the economic outlook following the war. If the outlook is clouded and uncertain, restraint is more likely to prevail, though even under such circumstances agitation for public works to accelerate business activity may offset the disinclination of taxpayers to superimpose substantial additional charge to the huge Federal debt requirements already existing. If the outlook is favorable, on the other hand, the prevailing optimism of the times may result an ready approval of the many improvements for which a good case can always be made by politically-minded officials, to whom spending is advantageous and attractive."

The Review concludes with a survey of the significant shift in ownership of state and municipal bonds during recent years and the pronounced reduction in outstanding obligations of these types. On these subjects, the view is expressed that "With the rapid extinguishment of all tax-free Federal bonds, municipal obligations will provide increasingly the only escape for those subject to burdensome taxation and such bonds may be expected to gravitate more and more away from holders who derive no tax advantage from their ownership to those who do.

Even with some increase in the post-war emission of municipal bonds, such increase will be largely offset by reduction in supply of government tax-exempts and the maturing of outstanding municipals so that, with the certainty of continuing high Federal tax rates, the demand from those seeking tax relief should be such as to provide a strong sustaining price factor in the market."

State of Arkansas Bonds Added to N. Y. Legals List

Bonds of the State of Arkansas are now elegible for purchase by New York State savings banks, it was announced on July 1 by Elliott V. Bell, Superintendent of Banks, along with the disclosure of further additions and removals from the municipal section of the State's legals list.

Arkansas' have not appeared on the list since 1933, when the State defaulted. This condition, of course, was corrected many years ago through the medium of an over-all debt refunding operation, which is credited with having strengthened the State's debt structure to a degree not previously prevailing.

This fact has been demonstrated in the excellent record of debt payments achieved by the State under the plan and the reinstatement of the State's bonds to the New York list consequently occasioned no surprise in municipal bond circles.

The only element of surprise was in the fact that reinstatement had not been made previously, considering that the New York law regulating savings banks investments requires a 10-year record clear of default. However, "better later than never" probably sums up the attitude of State officials and the municipal fraternity.

Along with the State of Arkansas bonds, other additions to the New York legals list included $27,000,000 par value unlimited tax bonds of 17 municipalities of the State of California, as follows: Alhambra, and Alhambra City School and City High School Districts; Centinela Valley Union High School District (Inglewood); Fresno County; Inglewood; Inglewood City School District; Long Beach and Long Beach City School and City High School Districts; Riverside City Junior College District; Riverside County; San Joaquin County; Santa Ana, and its Elementary School and High School Districts, and Santa Barbara County.

Also added to the list were bonds of Norwalk First Taxing District, Conn., and of Richmond County Board of Education, Ga. Six municipal units were removed from the list, of which three were deleted because of no debts and an equal number as a result of a lack of information required by the banking department to determine eligibility. Those in the latter category included Wakefield, Mass., Greene County, Pa., and LaCrosse County, Wisc.

It is unfortunate that the municipal officials in question did not see fit to furnish the data requested by the department in view of the important purpose for which it was sought. While appearance or non-appearance on the New York legals list, or any other State for that matter, does not itself always indicate an abundance or lack of virtue in a given security, it cannot be denied that the inclusion thereon adds to the marketability of the securities in question.

Accordingly, it would be extremely regrettable for the bonds of any taxing unit, for example, to suffer deletion or fail to qualify solely because of the failure of the fiscal officer to oblige the State authorities with the information they need in order to determine eligibility.

The Over-the-Counter Industry

(Continued from page 68)

ing assets of at least $3,000,000 and also at least 300 shareholders each. Only about 2,200 of these have registered with the Securities and Exchange Commission and it is from this total that the potential of listed securities can be calculated. That leaves nearly 5,000 corporations of various sizes and types making up the potential current market of over-the-counter securities and, of course, in addition, hundreds of securities which are listed are regularly traded in the over-the-counter market, many enjoying more active markets than on the exchanges. From these few figures it will readily be seen that the over-the-counter market is a very extensive operation almost limitless in its opportunities. The size of an issue is no deterrent to development of a market for it; its local limitations are no obstacle.

As a further indication of the size and scope of the over-the-counter market, it is reported that the National Quotation Bureau, Inc., which publishes quotations for over-the-counter securities, lists from 90,000 to 100,000 different issues in a year which dealers have indicated their willingness to buy or sell. Currently these sheets give market indications of an average of over 7,000 separate issues daily, excluding municipals. This service is issued daily in New York, Chicago and San Francisco.

When you think, therefore, of the over-the-counter market, the picture you should have in your mind is one of a mechanism through which securities are originally distributed and subsequently redistributed in large and small blocks; of a mechanism that develops and maintains a resource through which investments may be liquidated at moderate cost and relative ease; a mechanism that provides even the smallest community with a home market for securities native to the area; and which at the same time through a vast system of communications is a part of a national system well organized to serve efficiently the needs and interests of the most remote investor.

The over-the-counter market is not an unregulated group of dealers. For example, here in New York we have the New York Security Dealers Association. The purposes of the Association are to promote and uphold fair and equitable principles of trade, to maintain the highest standards of business ethics and integrity among the Association members, and thus promote both the interest of the investing public and of its members.

The NASD is the national policing and regulating body. Acting upon authority granted to it under the Maloney Act, NASD has adopted certain rules of fair practice both for the protection of investors and for the protection of members from unfair practices which would tend to lower the standards of business conduct. It has taken the over-the-counter rules adopted by the Commission to govern transactions in the over-the-counter market and made them its own rules of fair practice applicable to all its members. In addition, the Association has adopted certain other rules of fair practice on matters not covered by rules and regulations of the Commission and has made them applicable in governing its members. The NASD has assumed the responsibility of supervising fair and accurate newspaper quotations.

In summing up, may I say, to my mind, the most important function of the over-the-counter market is the creation of the marketability for local securities. The pattern is similar all over the country. Business enterprises have grown by the plowing back of earnings. Then, the time comes, sometimes in the first generation of ownership, frequently in the second, when public participation in the business is desirable. Here, the over-the-counter market enables them to raise additional capital, resulting in greater employment, expansion of industry and continued sound, economic development on which the past and future prosperity of this country is predicated.

Securities of a great many of the prominent corporations in this nation can trace their development into national market leaders to precisely such beginnings. Silversmiths of Connecticut, carpetweavers of Utica, textile mills of the south, shipping firms on the Great Lakes, lumber companies of the northwest, etc. Here, indeed, has been and will be the real romance of the business of finance. It is for that reason that I conclude that the over-the-counter market serves a very definite economic and social function—social, in that, directly and indirectly, it has and will continue, I am sure, to provide employment and the development of new products, even new industries, to make for a better way of life.

WLB To Regulate Wage Cuts In Conversion

Theodore W. Kheel, Executive Director of the War Labor Board, at a meeting on June 12, in New York City of the Commerce and Industry Association said that the same watchful War Labor Board policing of wage increases which guided the nation in its all-out war effort will be applied to wage decreases during the conversion period to peacetime production, it was reported in the "New York Times" of June 13 which gave other remarks of Mr. Kheel as follows:

"While I do not wish to be a prophet of gloom," he said, "the board's rules apply on a wage downswing as they apply on an upswing." However, he said, the board had received virtually no applications for wage decreases.

Pointing out that the board used "four measuring rods" in its wage decisions, Mr. Kheel said they were (1) weekly take-home pay, (2) overtime payments, (3) straight-time payments and (4) change in wage rates. There were no existing WLB rules on cutbacks in hours of work or overtime payments, he said, but very few decreases in wage rates will be permitted at the present time. The law, he reminded his audience, permits no decrease or increase in wage rates prevailing during the period from Jan. 1 to Sept. 15, 1942, except to guard against gross inequities and to aid in efficient prosecution of the war."

Manufacturers switching from war output to peacetime production will very likely be unable to seek wage adjustments under the war prosecution clause, Mr. Kheel said. However, some companies return to civilian production may find themselves in a difficult competitive position and can appeal for wage adjustments under the plea of "gross inequities."

The Status of Cartels In Post-War Europe

(Continued from page 104)

in the years of her main industrial development, the urge to protect and divide would have been much less compelling. And the encouragement which the cartel, as an instrument so easily adaptable (and, in fact, so readily adapted) to the purposes of an aggressive government, must have received at the hands of the German government over many decades must not be overlooked in analyzing and appraising the status of cartels in Germany. German laws, reflecting public sentiment generally we may assume, have been highly favorable to the growth of cartels, but even here it should be noted that the laws have made of German cartels quite different organizations at different times. It is not merely that the laws have changed, although this too is important as reflecting a change or development in public opinion. The point is that cartels have changed—even in Germany. Since 1897 at least, "in the eyes of the German courts, the cartel [has been] a lawful manifestation of the right of entrepreneurs to exercise freedom of contract" (Nathan, p. 65); and since the Cartel Decree of 1923, cartels have had "official statutory recognition as legal entities" (Nathan, p. 67). One authority notes, however, that while the legal position "may be said to have improved" (Nathan, p. 67), certain sections of the Decree (making it possible under certain circumstances for members to withdraw, and making the application of boycotts against outsiders "very risky") substantially "increased the uncertainty confronting cartel managements" (Nathan, p. 80). Nathan thinks that not even in conception "was the Cartel Decree a force that in any basic way changed the official German attitude toward cartels" (Nathan, p. 69). My own opinion is that it certainly reflects a change in attitude. Nor should I be inclined to pass over, as cavalierly as to some authors, the Decrees of 1930 and 1931 which gave the government power to invalidate price contracts of cartels and to authorize parties to the contracts to withdraw such contracts as the government felt to be too restrictive of production or of distribution, or of economic freedom, to the detriment of the economy. But particularly in this connection it is worth while to contrast the cartel under Nazi rule with the cartel in the 'twenties, and to note the changes in structure and functions which, to quote Nathan again (p. 64), resulted in an organization that "resembled the pre-Nazi organization in name only." I shall not detail the changes; it needs only to be pointed out that cartels have been greatly reduced in numbers, and that the Nazi government has bent them entirely to its military purposes as quasi-governmental agencies, both in Germany and in occupied countries. There is nothing strange in all this; the point is, simply, that to those who say the cartel in Germany **cannot** be eradicated, the apparent answer would seem to be: "the Nazis did it!"

Can German Cartels Be Destroyed?

I am quite content to be less than completely dogmatic on the matter of the cartel within Germany. Organizations which have sprung from and been nourished by social, economic and political conditions that have prevailed for many decades may not necessarily be indigenous and "natural," but it cannot reasonably be denied that cartels hold a pretty secure position in the German "way of doing things," and that they will be difficult to root out. But nothing in the circumstances surrounding their development suggests that they are so ingrained in the German character that they cannot be removed without results fatal to anything we are not willing to see destroyed. I will suggest that the task of eradicating Naziism and militarism from German life—a task which, I take it, we are committed to perform—is fraught with fully as much difficulty, and as much that threatens to destroy the essential qualities of Germany as we know it, as the task of purging cartels from the German economy.

As a first necessary step I would urge that the Allied military governments in Germany suspend all cartel operations and commandeer all cartel records. I would institute an investigation, industry by industry of the case upon which any proposed resumption of cartel activities might be based. I would establish the almost, but not completely, nonrebuttable presumption that at the Peace Table, cartels would be written out of the German economic system; and I should confidently expect that sometime before the writing of the Peace, the "almost" would become "completely."

Now, what else should be done to sew up the German situation?

Certainly we should, in addition to striking at internal or domestic cartels, eliminate any German participation in any private international cartel. Such restraints as it may be desirable to enforce upon the activities of German exporters can be provided much more effectively by governmental processes and peace terms than by the maneuverings of private cartels.

Any contracts involving price fixing, production restrictions, divisions of markets, etc., should be declared wholly inoperative.

With a weather eye to the effect upon any production which we may want, for any reasons, to permit and encourage, we should proceed to such a break-up of German industrial combines, both internally and in their holdings, by any device, of interests in or controls over industries in other countries, as will prevent them from serving in any way as instruments either of monopoly or of economic, political or military aggression.

Finally, there must be an open door to all comers to the rich stores of the German patent office. Patent monopolies and restrictive arrangements based upon patent monopolies presently existing in Germany should be destroyed, and any patent system hereafter permitted in Germany should be so constructed as to achieve what may seem to be desirable in the way of encouraging technical advance, with the least possible after-effects in the way of monopolies and monopolistic arrangements.

Much of this program will require the full cooperation of the few neutral countries remaining in the world, both to work out the provisions as stated, directly and fully, and also to prevent German industrial controls from operating behind neutral masks. I have a feeling, which I am sure is not wholly without foundation in recent diplomatic history, that ways may be found to bring neutral governments to our way of thinking in this regard.

Russia's Position

I have said nothing up to this point, and I am sure that there is very little that can be said with assurance as to the probable position of Russia on the treatment to be accorded to German cartels, German participation in international cartels, and the broader problem of an international anticartel convention. I know of no reason in the logic of trade or of security to expect that the attitude of Russia would be other than favorable toward the entire program, and such pronouncements from semi-official sources as I have seen lend some slight strength to this conclusion. Is there more that can be said, confidently? Recent statements from France, too, are anti-cartel in leaning and the French can certainly be said to have no long and deep tradition to overcome on this score.

In short, the situation in Great Britain and on the continent of Europe is such that if the United States feels deeply and is prepared to move boldly and with conviction toward an international agreement outlawing cartels and restrictive patent devices and contracts through which cartel results are frequently gained, and toward a program for Germany which will remove that country as a source of cartel infection and eliminate her cartels as devices for the revival and perpetuation of German aggression, we have a fair chance to accomplish much that we set out to do.

Bear in mind that the United States does not come to this problem hat in hand, trembling, and as a suppliant, we have a very substantial stake in the post-war world, and we are in a position, quite legitimately and without apology either to our neighbors or to posterity, to use our strength and our resources to make that world what we would like it to be. In the matter of cartels, at least, if we have convictions I can see little excuse for subordinating them at this stage of the game to the inclinations, as I appraise them, of any other nation or group of nations in the world. We can move vigorously toward an international agreement to compete; failing its accomplishment we can still have a lot of competition by competing. It is not without point as far as our relationships with other countries are concerned that every move we make in any anti-cartel campaign looks away from isolation and toward a fuller, working internationalism. I suppose then, that in answer to the question, "What will be the status of cartels in post-war Europe," I am really saying that it depends, certainly not entirely, but in a very large measure, upon the depth of our own convictions in the desirability of free world trade, and upon our willingness to take the lead in destroying governmental barriers to, and to take the positive steps necessary to facilitate, world trade; and then to seek by every means at our disposal, short of military, to destroy all private barriers to trade.

This is an opportunity of a lifetime; certainly no one is entitled in his own span of years to more than one such chance. We may not win the whole program, but we cannot afford to shoot for less.

Let me tell you a story that may help to point up my conclusion. The other day a little girl, a friend of the family, came to our door, selling tickets to various attractions to be presented shortly at a church fair. She was particularly enthusiastic about a drawing which was to be held, the prize to be a live pig. "Buy a ticket, Mrs. Lewis; only fifty cents and you might win him—he's a beautiful pig!" "But Nancy," my wife said, "What would I possibly do with him; I have no place to keep him and I wouldn't know how to take care of him." "Oh, that's all right, Mrs. Lewis, buy a ticket. You won't win him!"

How about a ticket?

Calendar Of New Security Flotations

OFFERINGS

BURLINGTON MILLS CORP. on June 9 filed a registration statement for 150,000 shares of 4% preferred stock (par $100).

Details—See issue of June 14.

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

Offered July 5 at $104 per share and div.

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.

Underwriters—S. R. Livingstone & Co., and Mercier, McDowell & Dolphyn, both of Detroit.

Offered July 2 at $8 per share.

ELLIOTT CO. on June 8 filed a registration statement for 40,000 shares of 5% cumulative preferred stock (par $50) and 86,406 shares of common (par $10).

Details—See issue of June 14.

Underwriters—F. Eberstadt & Co. is named principal underwriter.

Offered—Preferred stock offered July 3 at $51 per share.

MOORE DROP FORGING CO. on June 7 filed a registration statement for 30,000 shares of cumulative convertible preferred stock and common stock. The dividend rate on the preferred, which will be sold for account of the company, will be filed by amendment. The number of common shares to be registered will be filed by amendment. The common stock is being offered by a number of stockholders. The registration statement also covers 20,000 common stock purchase warrants for the purchase of 20,000 shares of common issuable upon the exercise of the warrants and 120,000 shares of common for conversion of the preferred.

Details—See issue of June 14.

Underwriters—Lee Higginson Corp. heads the group of underwriters.

Offered July 2, the preferred at $52 per share and the common at $10 per share.

E. R. SQUIBB & SONS on June 5 filed a registration statement for 150,000 shares of $4 cumulative preferred stock (no par).

Details—See issue of June 14.

Offering—Company is offering to the holders of its 56,894 shares of Series A preferred and 42,012 shares of Series B preferred the right to exchange such shares, on a share for share basis, for the new $4 preferred, with adjustment of dividends of 20 cents on each share of Series A and 5 cents on each share of Series B stock exchanged. The remaining 51,094 shares and the unexchanged shares will be purchased by the underwriters and offered to the public at a price to be filed by amendment.

Underwriters—Union Securities Corp. and Harriman Ripley & Co., Inc., head the group of underwriters.

Offered July 2 at $108 per share and div.

STERLING DRUG CO. on June 5 filed a registration statement for 125,000 shares of 3½% cumulative preferred stock ($100 par).

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

Offered July 2 at $102.50 per share and div.

THE TRAILMOBILE CO. on June 11 filed a registration statement for 40,000 shares $2.25 cumulative convertible preferred stock, par $50.

Underwriters—The underwriters are W. E. Hutton & Co., Paul H. Davis & Co. and Bacon, Whipple & Co. and associates.

Offered July 2 at $50 per share and div.

UNION OIL CO. OF CALIF. on June 12 filed a registration statement for $25,000,000 2¾% debentures due June 1, 1970 and 250,000 shares $3.75 cumulative preferred stock, Series A (no par).

Details—See issue of June 21.

Underwriters—Dillon, Read & Co., Inc., is to head the underwriting group.

Offered July 2, the debentures at 101 and int. and the preferred stock at $100 per share and div.

> **NEW FILINGS**
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> **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, JULY 5

R. J. REYNOLDS TOBACCO CO. on June 16 filed a registration statement for 490,000 shares of preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of June 21.

Offering—The company plans to offer to holders of its common stock and Class B common, of record July 7, pro rata rights to subscribe to the new preferred in the ratio of one-twentieth of one share for each share of such stocks held. The warrants will expire July 21. The unsubscribed portion will be offered to the public through underwriters. The price to stockholders and the public will be filed by amendment.

Underwriters—Dillon, Read & Co., Inc., and Reynolds & Co. head the underwriting group, with names of others to be filed by amendment.

SATURDAY, JULY 7

BRISTOL-MYERS CO. on June 18 filed a registration statement for 75,000 shares of 3¾% cumulative preferred stock (par $100).

Details—See issue of June 21.

Underwriters—Wertheim & Co. will head the underwriting group.

SUNDAY, JULY 8

GERBER PRODUCTS CO. on June 19 filed a registration statement for 15,000 shares 4½% cumulative preferred stock (par $100), and 54,694 shares common (par $10).

Details—See issue of June 28.

Offering—Offering price will be filed by amendment.

Underwriters—A. G. Becker & Co., Inc., heads underwriting group.

MONDAY, JULY 9

COLEMAN CO., INC., on June 20 filed a registration statement for 30,430 shares of 4¼% cumulative preferred stock (par $50) and 23,692 shares of common (par $5). Of shares registered all but 20,000 shares of preferred are issued and outstanding and are being sold for account of certain stockholders.

Details—See issue of June 28.

Offering—Price to public will be filed by amendment.

Underwriters — Underwriting group is headed by Goldman, Sachs & Co., Paul H. Davis & Co. and Stern Brothers & Co.

METROPOLITAN CLUB, INC., on June 20 filed a registration statement for $2,000,000 25-year 2½% refunding mortgage bonds.

Details—See issue of June 28.

Underwriters—None.

HOUSEHOLD FINANCE CORP. on June 20 filed a registration statement for $15,000,000 2¾% sinking fund debentures, due July 1, 1970.

Details—See issue of June 28.

Offering—Price to public will be filed by amendment.

Underwriters—Lee Higginson Corp., Kidder, Peabody & Co. and William Blair & Co. head underwriting group.

MACWHYTE CO. on June 20 filed a registration statement for 82,559 shares of common stock (par $10). Of total registered 40,000 shares are being sold by company and 42,559 shares are being sold by certain stockholders.

Details—See issue of June 28.

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

Underwriters—Central Republic Co., Inc. is named principal underwriter.

SKELLY OIL CO. on June 20 filed a registration statement for $10,000,000 20-year 2¾% debentures due July 1, 1965.

Details—See issue of June 28.

Offering—Price to public will be filed by amendment.

Underwriters—Eastman, Dillon & Co. is named principal underwriter.

TUESDAY, JULY 10

CRANE CO. on June 21 filed a registration statement for 160,000 shares of 3¾% cumulative preferred stock (par $100).

Details—See issue of June 28.

Offering—Price to public will be filed by amendment.

Underwriters — Underwriting group is headed by Morgan Stanley & Co. and Clark, Dodge & Co.

WEDNESDAY, JULY 11

JACOB RUPPERT on June 22 filed a registration statement for 34,550 shares of cumulative preferred stock ($100 par) and 200,000 shares of common ($5 par). Dividend rate on preferred will be filed by amendment. Of shares registered 15,000 shares of preferred are being sold by the company, and all remainder for the account of certain stockholders.

Details—See issue of June 28.

Offering—Offering price of preferred and common stocks to public will be filed by amendment.

Underwriters — Underwriting group is headed by The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane.

CHAMPION PAPER & FIBRE CO. on June 22 filed a registration statement for $13,000,000 3% debentures due July 15, 1965, and 100,000 shares of cumulative preferred stock (no par). Dividend rate will be filed by amendment.

Details—See issue of June 28.

Underwriters — Goldman, Sachs & Co. heads the group of underwriters, with others to be filed by amendment.

THURSDAY, JULY 12

PHILADELPHIA & READING COAL & IRON CO. on June 23 filed a registration statement for 412,596 common shares (par $1), and warrants to purchase a like number of common shares.

Details—See issue of June 28.

Offering—Warrants to purchase 4 common shares for each 10 shares held will be mailed on July 18, 1945, to holders of record July 16, 1945. In exercising warrants, holders of general mortgage 6% income bonds to which the stock certificates of the reorganized company are attached may use their bonds in payment of the subscription price for the new common shares up to 95% of the original amount of these bonds, a 5% payment in reduction of principal having been made on these bonds on April 1, 1945.

Underwriters—Harriman Ripley & Co., Inc., and Drexel & Co., head the underwriting group.

COOK PAINT AND VARNISH CO. on June 23 filed a registration statement for 50,000 shares of prior preference stock, Series A. Stock will bear dividends of $3 per annum cumulative from June 1, 1945, and has a par value of $60.

Details—See issue of June 28.

Offering—The company will offer 35,000 shares of the new preferred stock under an exchange and subscription offer to holders of outstanding Series A $4 preferred stock. Remaining 15,000 shares and such of the 35,000 shares as are not issued pursuant to the exchange and subscription offer are to be sold to underwriters who will offer them to the public at a price to be fixed by amendment.

Underwriters — Underwriters are Stern Brothers & Co., Kidder, Peabody & Co., Harris, Hall & Co., Inc., Boettcher & Co., Bosworth, Chanute, Loughridge & Co., Kebbon, McCormick & Co., Watling, Lerchen & Co., First Trust Co. of Lincoln, Neb., Baum, Bernheimer Co., Beecroft, Cole & Co., Burke & MacDonald and Prescott, Wright, Snider Co.

SATURDAY, JULY 14

SOUTHERN BELL TELEPHONE & TELEGRAPH CO. on June 25 filed a registration statement for $45,000,000 2¾% debentures, due Aug. 1, 1985.

Details—See issue of June 28.

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

Underwriters—Company will offer the bonds for sale at competitive bidding and the names of underwriters will be filed by amendment. Bids will be received until 11 a.m. on July 30, 1945.

HECHT CO. has filed a registration statement for 56,000 shares of cumulative preferred stock (par $100). Dividend rate will be filed by amendment.

Address—Baltimore and Charles Streets, Baltimore, Md.

Business—Operates eight retail stores, including branches, located in Washington, Baltimore, New York and Easton, Md.

Offering—Offering price will be filed by amendment.

Proceeds—Net proceeds will be used to reimburse company for redemption of outstanding 53,200 shares of 4¼% cumulative preferred stock at $105 per share, which will require $5,586,000, exclusive of accrued dividends.

Underwriters — Underwriting group is headed by Goldman, Sachs & Co., New York.

Registration Statement No. 2-5798. Form S-1 (6-25-45).

SUNDAY, JULY 15

BETHLEHEM STEEL CORP. has filed a registration statement for $75,000,000 consolidated mortgage 25-year sinking fund 2¾% bonds, Series I, due July 15, 1970.

Address—25 Broadway, New York, N. Y.

Business—Manufacture of various iron and steel products, etc.

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

Proceeds—Net proceeds will be used, together with other moneys to be supplied by Bethlehem Steel Co., a subsidiary of the corporation, in the purchase or redemption on or before Oct. 1, 1945, of the $22,333,000 consolidated mortgage 20-year sinking fund 3¼% bonds, Series F, the $30,000,000 of consolidated mortgage 20-year sinking fund 3% bonds, Series G, and the $40,000,000 consolidated mortgage 25-year sinking fund 3¼% bonds, Series H, total $92,333,000.

Underwriters — Principal underwriters are Kuhn, Loeb & Co., Smith, Barney & Co. and Mellon Securities Corp. Others will be named by amendment.

Registration Statement No. 2-5799. Form A-2 (6-26-45).

MONDAY, JULY 16

INSURANCE SECURITIES, INC., has filed a registration statement for 900 units of $1,000 each, single payment plan, Series T, to create 575,000 investment units and 1,750 units of $1,200 each, accumulative plan, Series D, to create 675,000 investment units.

Address—325 13th Street, Oakland, Cal.

Business—Investment company.

Sponsor—Insurance Securities, Inc.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5800. Form C-1 (6-27-45).

NEW YORK STATE ELECTRIC & GAS CORP. has filed a registration statement for $10,000,000 first mortgage bonds, due 1973, and 150,000 shares of cumulative preferred stock. Interest rate on bonds and dividend rate on preferred stock will be determined by competitive bidding.

Address—108 East Green Street, Ithaca, N. Y.

Business—Public utility.

Offering—Price to public will be filed by amendment.

Proceeds—Net proceeds will be used to redeem at 106 of $13,000,000 first mortgage gold bonds, 3¾% series due 1964 and, at 107, $12,000,000 serial preferred stock, 5.10% cumulative preferred series.

Underwriters—Stock and bonds will be sold at competitive bidding and names of underwriters will be filed by amendment.

Registration Statement No. 2-5801. Form S-1 (6-27-45).

BAUSCH & LOMB OPTICAL CO. has filed a registration statement for 50,000 shares of 4% cumulative preferred stock (par $100) and 152,500 shares of common (par $10).

Address—635 St. Paul Street, Rochester, N. Y.

Business—Manufacture of optical and scientific instruments.

Offering—Company plans to offer 47,318 shares of new preferred in exchange for a like amount of presently outstanding 5% cumulative convertible preferred and to issue rights to preferred and common stockholders to subscribe to new common stock in the ratio of one share of new common for each 5% preferred share and for one share of new common for each four shares of common held. The subscription price will be named by amendment. Price to the public will be filed by amendment.

Proceeds—Net proceeds will be used to call for redemption at $105 per share all shares of old preferred not exchanged for new and balance of proceeds from sale of preferred stock and common stock will be available for working capital.

Underwriters—Stone & Webster and Blodget, Inc., heads the group of underwriters with the names of others to be filed by amendment.

Registration Statement No. 2-5802. Form A-2 (6-27-45).

PENNSYLVANIA TELEPHONE CORP. has filed a registration statement for $5,500,000 first mortgage bonds, 2⅞% Series due 1975, and 70,292 shares of $2.10 preferred stock (no par).

Address—20 East Tenth Street, Erie, Pa.

Business—Telephone.

Offering—Price of bonds will be filed by amendment. Company is offering holders of outstanding $2.50 preferred the privilege of exchanging such stock on a share for share basis for new preferred plus a cash payment.

Proceeds—Net cash proceeds from sale of bonds will be used to redeem at 106 during August the $5,200,000 first mortgage bonds, 3¼% series due 1969, now outstanding. Any new preferred stock not issued in exchange will be sold to the public and the proceeds used with other funds of the company to redeem at $55 per share plus accrued dividends all unexchanged shares of old preferred and to the payment of the cash adjustment to the holders of the shares of old preferred making the exchange.

Underwriters—Group headed by Paine, Webber, Jackson & Curtis and Stone & Webster and Blodget, Inc.

Registration Statement No. 2-5803. Form S-1 (6-27-45).

AMERICAN TELEPHONE & TELEGRAPH CO. has filed a registration statement for $175,000,000 35-year 2¾% debentures, due Aug. 1, 1980.

Address—195 Broadway, New York, N. Y.

Business—Principal business of the company and its operating telephone subsidiaries is that of furnishing communication service, mainly telephone service.

Offering—Price to public will be filed by amendment.

Proceeds—Proceeds will be applied toward the retirement of $175,000,000 25-year 3¼% debentures, due Oct. 1, 1961, which company intends to call for redemption on Oct. 1, 1945, at 105 and int. The balance required for the redemption of the 3¼% debentures will be obtained from other funds of the company.

Underwriters—Bonds will be sold at competitive bidding and names of the underwriters will be filed by amendment. Bids will be received by the company before 11 a.m. (EWT), on July 23, 1945.

Registration Statement No. 2-5804. Form A-2 (6-27-45).

TUESDAY, JULY 17

FIRST INVESTORS SHARES CORP. has filed a registration statement for securities as follows: DW Plans, $1,500,000; DWN Plans, $2,800,000, and DWP Plans, $700,000.

Address—50 Broad Street, New York, N. Y.

Business—Investment company.

Sponsor—First Investors Share Corp.

Purpose—Periodic investment plans.

Registration Statement No. 2-5805. Form S-6 (6-28-45).

NATIONAL CONTAINER CORP. has filed a statement for 100,000 shares of 4¾% cumulative convertible preferred stock (par $25), an indeterminate number of common shares reserved for conversion of the preferred and 90,000 shares of common reserved for issuance upon exercise of stock purchase warrants, and common stock purchase warrants entitling the holders to purchase an aggregate of 90,000 shares of common.

Address—Borden and Review Avenues, Long Island City, N. Y.

Offering—The price of the preferred stock to the public is $26 per share.

Proceeds—Proceeds will be used to reimburse company for a portion of the shares of Ontonagon Fibre Corp., $400,000; to pay off a bank loan of $500,000 made to procure the balance of the purchase of the stock of Ontonagon Fibre; for improvements, $1,000,000, and for working capital, $540,000.

Underwriters—Group is headed by Van Alstyne, Noel & Co.

Registration Statement No. 2-5806. Form S-1 (6-28-45).

IDAHO POWER CO. has filed a registration statement for 39,413 shares of 4% preferred stock ($100 par).

Address—1220 Idaho Street, Boise, Idaho.

Business—Public utility company.

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

Proceeds—Net proceeds will be used for additions to the company's production, transmission and distribution facilities.

Underwriters—Group is headed by Blyth & Co., Inc., Lazard Freres & Co. and Wegener & Daly, Inc.

Registration Statement No. 2-5807. Form S-1 (6-28-45).

WEDNESDAY, JULY 18

EASTERN GAS & FUEL ASSOCIATES has filed a registration statement for $40,000,000 first mortgage and collateral trust bonds due 1965. Interest rate will be filed by amendment.

Address—250 Stuart Street, Boston, Mass.

Business—Coordinates under one management production and sale of bituminous coal, conversion of coal into by-products, etc.; also owns common stock in Massachusetts gas companies.

Offering—Price to public will be filed by amendment.

Proceeds—Net proceeds, together with proceeds of $15,000,000 2⅛% 10-year bank loans will be applied to the redemption at 101½ of the $55,497,000 first mortgage and collateral trust bonds, Series A, 4%, due March 1, 1956.

Underwriters—Bonds will be sold at competitive bidding and names of underwriters will be filed by amendment.

Registration Statement No. 2-5808. Form S-1 (6-29-45).

CORPORATE LEADERS OF AMERICA, INC., has filed a registration statement for a maximum of 950 periodic payment certificates and a maximum of 50 single payment certificates.

Address—545 Fifth Avenue, New York, N. Y.

Business—Investment company.

Sponsor—Corporate Leaders of America, Inc.

Offering—By single or periodic payments.

Proceeds—For investment.

Registration Statement No. 2-5810. Form C-1 (6-29-45).

JOHNS-MANVILLE CORP. has filed a registration statement for 170,000 shares of 3½% cumulative preferred stock (par $100) and 170,000 shares of common, reserved for issuance upon conversion of the 3½% cumulative preferred stock.

Address—22 East 40th Street, New York, N. Y.

Business—Mining, manufacturing and selling materials for the control of heat and cold, sound and motion, etc.

Offering—Company will offer to common stockholders of record July 21 rights to subscribe to new preferred at $100 per share on basis of one share of preferred for each five shares of common. Warrants will expire at noon on Aug. 4, 1945. Unsubscribed stock will be purchased by the underwriters and sold to the public.

Proceeds—Proceeds will be used in connection with a program for modernizing and expanding company's manufacturing and mining facilities and plants, including those of subsidiaries.

Underwriters—Underwriters are: Morgan Stanley & Co., Clark, Dodge & Co., Dominick & Dominick, First Boston Corp., Harriman Ripley & Co., Inc., Hornblower & Weeks, Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, F. S. Moseley & Co., Paine, Webber, Jackson & Curtis, Smith, Barney & Co., Union Securities Corp., White, Weld & Co., Dillon, Read & Co., Inc., and Kuhn, Loeb & Co.

Registration Statement No. 2-5812. Form A-2 (6-29-45).

MARICOPA RESERVOIR & POWER CO. has filed a registration statement for $3,343,500 4% income debentures due May 1, 1970), and $4,458 shares of common stock, no par.

Address — Title & Trust Building, Phoenix, Arizona.

Business—Maintenance and operation of irrigation works, etc.

Offering—Company is offering, to holders of $3,343,500 3% income bonds due Oct. 1, 1959, units consisting of $750 of 4% income bonds and one share of its common stock, in exchange for each $750 outstanding income bond, in connection with the plan of reorganization.

Purpose—For exchange of securities.

Underwriters—The Dunne-Israel Co.

Registration Statement No. 2-5813. Form S-1 (6-29-45).

VALENTINE ON BROADWAY CORP. and ARTHUR FELS BOND & MORTGAGE CO. have filed a registration statement covering $356,500 4% bonds.

Address—15 West Tenth Street, Kansas City, Mo.

Business—Hotel.

Offering—New bonds aggregating $356,500 will be exchanged for the $356,500 of present bonds now outstanding, together with interest coupons attached. None of the new bonds will be sold for cash or other property but exchange will be made only with existing bondholders.

Underwriters—None.

Registration Statement No. 2-5814. Form S-1 (6-29-45).

> **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 due 1960 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 $7.50 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.

A. S. CAMPBELL CO., INC. on June 9 filed a registration statement for 18,000 shares $2.50 cumulative preferred stock (no par) with warrants and 18,000 shares common stock (par $1). The common shares are reserved for issuance upon exercise of the warrants.

Details—See issue of June 21.

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

Underwriters—G. H. Walker & Co. is named principal underwriter.

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.

COLGATE - PALMOLIVE - PEET CO. on June 7 filed a registration statement for 125,000 shares of $3.50 preferred stock (no par).

Details—See issue of June 14.

Offering—Company expects to offer holders of its $4.25 outstanding preferred an opportunity to exchange such stock for the new preferred on a share for share basis plus a cash adjustment. Cash proceeds to be received from the sale of unexchanged shares to underwriters, together with treasury funds of the company to the extent required, will be applied to redeem at $101 per share plus accrued dividends all unexchanged shares.

Underwriters—Dillon, Read & Co., Inc. head the underwriting group, with names of others to be filed by amendment.

COMMERCIAL CREDIT CO. on June 7 filed a registration statement for 250,000 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

Details—See issue of June 14.

Offering—Company is offering the holders of the 121,938 shares of 4¼% cumulative convertible preferred stock to exchange their stock, share for share, for the new preferred. The underwriters have agreed to purchase any of the 250,000 shares of preferred not issued in exchange for outstanding preferred. Company will call any of the old preferred at $105 per share plus accrued dividends.

Underwriters—Kidder, Peabody & Co and First Boston Corp. are named principal underwriters.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).

Details—See issue of June 21.

Offering—Price to the public is given as $35 per share.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

CONTINENTAL BAKING CO. on June 12 filed a registration statement for $16,500,000 20-year 3% debentures due July 1, 1965.

Details—See issue of June 21.

Underwriters—Wertheim & Co. and Lehman Brothers.

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.

CUP MACHINE SERVICE CORP. on June 11 filed a registration statement for 8,000 shares of preferred stock ($50 par) and 75,000 shares of common stock (10 cents par).

Details—See issue of June 21.

Offering—The preferred stock will be sold at $50 and the common stock at 10 cents per share.

Underwriting—None.

EDISON BROTHERS STORES, INC. on June 15 filed a registration statement for 50,800 shares of cumulative preferred stock (par $100). The dividend rate will be filed by amendment.

Details—See issue of June 21.

Underwriters—The underwriting group is headed by Lehman Brothers, G. H. Walker & Co. and Bacon, Whipple & Co.

FAIRMONT CREAMERY CO. on May 29 filed a registration statement for 60,000 shares of preferred stock, 4% ($100 par) and 62,773 shares of common stock (no par).

Details—See issue of June 7.

Business—Dairy industry.

Offering—The company is offering 40,000 shares of the new preferred on a share for share basis to the holders of a like amount of outstanding convertible preferred stock and is offering 42,773 shares of new common to holders of common at the rate of one share for each ten shares held. The subscription price will be filed by amendment. The remaining 20,000 shares of new preferred and any unexchanged shares purchased by the underwriters will be offered to the public at a price to be filed by amendment. The remaining 20,000 shares of common are to be issued by the company solely for the acquisition of additional property.

Underwriters—To be supplied by amendment.

GASPE OIL VENTURES, LTD., on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.

Details—See issue of May 17.

Business—Exploration and development of oil wells.

Offering—Price to the public is 60 cents per share. The underwriter will receive purchase warrants for the purchase of 2,000 shares of common for each 15,000 shares of common stock sold in the offering at a price of 45 cents per share.

Underwriter—Tellier & Co.

HAMILTON WATCH CO on June 9 filed a registration statement for 35,000 shares of 4% convertible preferred stock (par $100).

Details—See issue of June 14.

Offering—Preferred shares are being offered by the company to the holders of its common shares at the rate of one preferred share for each 11 common shares at a price to be filed by amendment. The unsubscribed shares will be purchased by the underwriters.

Underwriters — Union Securities Corp., Dillon, Read & Co., Inc., Harris, Hall & Co., Inc., Morgan Stanley & Co. and Reynolds & Co.

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.

KROEHLER MFG. CO. on June 15 filed a registration statement for 11,105 shares of preferred stock ($100 par). The shares are issued and are being sold by certain stockholders.

Details—See issue of June 21.

Underwriters—A. G. Becker & Co., Inc., heads the list of underwriters.

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.

LIBERTY LOAN CORP. on June 4 filed a registration statement for 65,000 shares of cumulative preferred stock, 50-cent convertible series (par $5).

Details—See issue of June 14.

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

Underwriters—Sills, Minton & Co., Inc., Chicago, is named principal underwriter, with names of others to be filed by amendment.

MARKET BASKET on June 5 filed a registration statement for 42,548 shares of $1 cumulative Series A preferred (par $15) and 85,095 shares of common (par $1).

Details—See issue of June 14.

Offering—Price to the public will be filed by amendment. Of the total registered, 7,188 shares of preferred and 14,375 shares of common are to be offered by issuer, the balance by certain stockholders. The offering is to be made after reclassification of securities.

Underwriters—Bateman, Eichler & Co. and Nelson Douglass & Co.

MOUNTAIN STATES POWER CO. on June 9 filed a registration statement for $7,500,000 first mortgage bonds, due July 1, 1975. The bonds are to be sold at competitive bidding, with the successful bidder naming the interest rate.

Details—See issue of June 14.

Underwriters—To be filed by amendment.

O. K. CO-OP RUBBER WELDING SYSTEM on June 12 filed a registration statement for 500 shares, par value $1,000 designated as "participating members shares" and 800 units of $500 each of preferred 7% debenture certificates.

Details—See issue of June 21.

Offering—The securities are to be sold at their par or face value to the owners and operators of O K Tire Servicing Stores and to employees, customers and suppliers of the trust and of the several businesses being acquired by the trust.

Underwriting—None named.

PACIFIC GAS & ELECTRIC CO. on May 4 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.

Details—See issue of May 10.

Awarded May 22 to Blyth & Co., Inc. at $36.76 7/10 per share.

The SEC on May 23 refused to approve the bid, stating that competition had "been stifled."

PAN AMERICAN AIRWAYS CORP. on June 8 filed a registration statement for 3,986,522 shares of common stock (par $2.50).

Details—See issue of June 14.

Offering—Company will offer 1,993,261 units to shareholders on the basis of one unit for each two shares held. The unit will consist of one share of common stock and a warrant to purchase an additional share at $18 per share. Rights expire Dec. 31, 1947.

Originally, company under an underwriting agreement with Atlas Corp., was guaranteed that stockholders would take up $25,000,000 of the units and in the event the subscriptions fell under that amount Atlas was to take up sufficient units to bring the total to $25,000,000, with the right to take in excess of $25,000,000 if it desired. This agreement with Atlas Corp. was cancelled June 28.

New Underwriting Agreement—Company on June 28 announced a new underwriting agreement with a syndicate headed by Kuhn, Loeb & Co., Blyth & Co., Inc., Lazard Freres and Ladenburg, Thalmann & Co., which will receive a cash consideration. It is expected now that 1,993,261 units (one share and one warrant) will be offered in near future to stockholders for subscription at about $21.50 a share. Offer is expected to be open 21 days.

PANHANDLE EASTERN PIPE LINE CO. on June 13 filed a registration statement for $150,000 shares of cumulative preferred stock (par $100). The dividend rate will be filed by amendment.

Details—See issue of June 21.

Underwriters—The underwriting group is headed by Kidder, Peabody & Co., Glore, Forgan & Co. and Merrill Lynch, Pierce, Fenner & Beane.

PORTLAND GENERAL ELECTRIC CO. on June 7 filed a registration statement for $34,000,000 first mortgage bonds, due July 1, 1975. Interest rate will be filed by amendment.

Details—See issue of June 14.

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

Underwriters—The bonds will be offered for sale under the Commission's competitive bidding rule and the names of underwriters will be filed by amendment.

Bids Invited—Company will receive bids up to noon July 9 for the purchase of the bonds, the coupon rate to be specified by the successful bidder.

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.

RACQUET CLUB OF WASHINGTON, D. C. on May 25 filed a registration statement for $492,300 extension first mortgage 3% bonds dated Jan. 1, 1945, to mature Jan. 1, 1965, to replace a like amount of bonds which matured Jan. 1, 1945. The University Club of the City of Washington (guarantor) joined in the application.

Details—See issue of June 7.

Underwriters—None named.

Withdrawal request filed June 23.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Business—Oil and gas business.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

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.

ED. SCHUSTER & CO., INC., on June 11 filed a registration statement for 18,504 shares of 4¼% cumulative preferred stock ($100 par). The total includes 13,679 shares to be sold by the company and 4,825 shares to be sold by certain stockholders.

Details—See issue of June 14.

Invites Bids—Company is inviting bids on July 10 for $7,500,000 first mortgage 30-year bonds, the coupon rate to be specified by successful bidder.

Underwriters—Wisconsin Co. heads the underwriting group.

SEEGER-SUNBEAM CORP. on June 15 filed a registration statement for 500,000 shares of common stock (par $5). The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of June 21.

Underwriters—F. Eberstadt & Co.

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.

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.

Stop Order Action—The SEC on June 29 dismissed the stop order proceedings commenced April 10, 1945. In its opinion the Commission said it is satisfied that the amendments subsequently filed by the company substantially correct the deficiencies cited in the notice of the proceeding except those relating to the warrants.

Exchange Proposes Floor Trading Rules

As a result of the conferences between its officers and SEC officials, the New York Stock Exchange has drawn up and submitted to the Securities and Exchange Commission new rules governing floor trading.

It is reported that the new rules include provisions for closer restrictions on floor trading than have heretofore existed, and were made with a view to having the SEC hold in abeyance its determination to abolish floor trading entirely as recommended by James E. Treanor, Jr., director of its Trading and Exchange Division.

After the new rules have been tried out for a period SEC could then determine whether the rules eliminated the abuses or whether further action should be taken along the lines recommended last winter by the Commission's Trading Division, headed by Mr. Treanor.

The question of the abolition of floor trading has been under consideration by the SEC since last January, when its Trading and Exchange Division recommended the adoption of a rule which would prohibit floor trading by members on both the Stock and Curb Exchanges.

Presidential Approval Of Debt Limit Rise

President Roosevelt on April 3, signed a bill increasing the Federal debt limit from $260,000,000,000 to $300,000,000,000 the White House announced. The public debt is, however, not directly increased by the bill, Congress increases it by appropriations and increasing tax rates.

Advices from the Associated Press Washington Bureau reports:

The administration believes the $300,000,000,000 limit will be reached by about June 30, 1946. The present debt, in terms of "maturity value" (which is the basis on which the statutory limit is set) is about $243,000,000,000. This means the old limit of $260,000,000,000 would have been reached some time during the Seventh War Loan drive (May 14-June 30), if that drive proceeds anything like the $21,000,000,000 sales of the Sixth War Loan.

The present debt in terms of current redemption value, is $235,000,000,000. This is the way the way the debt is usually given.

Information in regard to the Senate approval of the bill may be found in "Chronicle" March 28, page 1408.

Brooklyn Tr. Cuts Discount Rate on Personal Loans

The Brooklyn Trust Company announced on June 28 that the rate of discount on personal installment loans not secured by collateral would be reduced to 3 5/6% per annum, effective July 1. The former rate of discount had been 5% since the Company established its personal loan department several years ago. The new rate is equivalent to 7.36% simple interest on unpaid balances in the case of a loan maturing in twelve equal monthly installments. On installment loans secured by collateral the new rate of discount will be 3 1/3% per annum, equivalent on the same basis to approximately 6.37% simple interest on unpaid balances.

Sees Increasing World Role For Int'l Chamber of Commerce

Winthrop W. Aldrich, Its New President, Says That Under Private Enterprise Governments Alone Cannot Reestablish Freedom of International Trade. Lauds Provision in Economic and Social Council Which Calls for Consultation With Non-Governmental Organizations.

Winthrop W. Aldrich, Chairman of the Chase National Bank, was the guest of honor on June 26 at a luncheon given by Thomas J. Watson, President of International Business Machines Corp., at the Union Club, New York City, to mark Mr. Aldrich's recent election to the Presidency of the International Chamber of Commerce. Approximately 250 representatives of the fields of banking, business, education, industry, the military and the clergy attended.

W. W. Aldrich

In a short address, Mr. Aldrich said that "there runs through every single document that has been put out by our Government and by the Government of Great Britain in connection with the war this thread. It started with the Atlantic Charter; it is expressed in the Lend-Lease agreements; in the purposes of the Bretton Woods agreement, and in the Dumbarton Oaks agreement, that the purpose of the war was, among others, the reestablishment in international trade of private enterprise and the elimination of trade barriers. It is perfectly obvious that governments cannot accomplish these purposes. Everything that has been set up and everything that is done has got to be implemented by private endeavor, by private enterprise, unless we are going to follow the lead of Russia and have all of these things done by the governments.

"There is a very interesting and probably rather tragic line of cleavage between the great Allies on that point because most of the aspirations of the democratic powers is expressed in their statement about world trade and the elimination of trade barriers, reestablishment of private enterprise, run counter to everything that is inherent in the Russian system. I mention this to indicate the terrifically complex nature of the problems in Europe and in the world that have to be faced by groups of men attempting to implement the Atlantic Charter and the purposes of Bretton Woods in the international field."

Mr. Aldrich referred to the Economic and Social Council set up at Dumbarton Oaks, the organization "which includes a body which I think might be thought of, at least, as an International Board of Trade. It is in that Board that the International Chamber of Commerce may have an opportunity, in my opinion, to do a very great public service," he stated.

He quoted Article 73 of Chapter 11 of the Charter of the New World Security Organization as saying that the Council "may make suitable arrangements for consultation with non-governmental organizations which are concerned with matters within its competence."

"This is the first time in the history of diplomacy," he continued, "when governments have invited and made official in their council's representatives of private bodies, and it is precisely here that the International Chamber of Commerce can come in as a consultative body and where educational organizations and other organizations of that character can participate in the discussions and the making of policy by the governments.

"I think it might be described in effect as a creation or opening the doors to the possibility of the creation of an organization for business, commerce and industry similar to the International Labor Office which was set up at Versailles as part of the League of Nations.

"That organization had in it in each country representatives of labor and business and government. This international Board of Trade which will meet continuously if the plans are carried out in future, will also, I believe, have representatives of business and labor and government. I believe also that the International Chamber of Commerce will be the instrumentality through which private business can participate in that organization by nominating the representatives of business in each country which will be named by that country to this permanent international organization which will study continuously the problems of trade, tariffs, trade restrictions, and trade barriers of all kinds.

"If the situation eventuates in such a way that that can be so, it immediately raises the International Chamber of Commerce to a position of importance the like of which has never existed in the hands of business before."

In introducing Mr. Aldrich, Mr. Watson stated: "The common understandings developed at the San Francisco Conference mark the opening of a new era in international relations for the United States. Throughout the 169 years of our independence we have unsuccessfully sought peace in isolation from definite alliances with other nations, yet during these years we have been engaged in seven major wars, an average of one in 24 years.

"Now we are entering a new era with definite alliances with international cooperation. We have faith that it will work out in practice, because nearly all the people of the world want it to be a strong instrument for maintaining peace. However, we must realize that faith must be made real in action. We must act on the truth that peace is the responsibility of every individual citizen. Let us therefore practice tolerance, develop understanding, maintain our strength and live cooperatively in order that this new era shall bring security, happiness and a fuller material and spiritual life to us.

"The organization of which Mr. Aldrich is the head is going to be a strong force in backing up the work of the San Francisco Conference. He is going to be a strong force in backing up the work of the San Francisco Conference. He is going to be called upon to participate in the most important events which will take place in our international affairs because he has the organization of business men, financial people, economists, scientists, and all other groups outside of the political group. His task as leader of this organization is to develop policies and plans to present to the political bodies not only of the United States but of the 41 nations which are represented in the International Chamber of Commerce."

Dr. William Mather Lewis, retiring President of Lafayette College, stressed the need for education to make successful in operation the international organization now set up, and added: "Already we are beginning to hear very nationalistic ideas propounded. So many statements are flying about I hope that one of the great advances under Mr. Aldrich's leadership in the International Chamber of Commerce is to be the elimination of these rumors which do so much to bring up bitterness between nations.

"Another great situation that is about to face us is the matter of the various problems in economics along the lines of unstable currencies, trade barriers, tariffs, and the rest that we did not solve after the last World War. The International Chamber of Commerce is the one organization that can solve these problems."

Dr. Lewis predicted that "we are going to face the very great problem of wildcat financial schemes all over the world which materialize always after a war because of the spirit of adventure and the amount of money which men have."

Dr. James T. Shotwell, director of the Economic Section of the Carnegie Endowment for International Peace, declared that the International Chamber of Commerce crossed more frontiers than international frontiers; that in the 1920s it lined up with the Carnegie Endowment for International Peace and with the academic world which was its background.

Rev. Robert I. Gannon, S.J., President of Fordham University, pronounced the benediction.

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