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The COMMERCIAL and FINANCIAL CHRONICLE

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Are Stocks Too High?

Roger W. Babson Criticizes Pessimists

BABSON PARK, MASS.—Certain well-known investment counsellors have for some months been very bearish. They believe that stocks are too high and that it is a mistake to invest money in stocks at the present time. I assume that they also mean that those having stocks should immediately sell them. Of course if these men stick long enough to their bearish attitude, they will eventually prove themselves to be "right"; but this may take some years. In the meantime, while they have constantly been bearish, stocks have constantly gone further up in price.

Roger W. Babson

Inflation or Deflation?

I also find men of experience who believe that after the war our country will be headed for

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Pictures of Security Traders Ass'n of Los Angeles Annual Spring Outing on page 198.

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Lasting Peace and Full Employment

By HON. ROBERT E. HANNEGAN*

U. S. Postmaster General; Chairman, Democratic Nat'l Committee

Stressing the Need of National Unity in Maintaining Peace and Prosperity, Mr. Hannegan Asserts the United Nations Must Not Only Grant Each Other Economic Security but They Must Assist Each Other to Attain It. Holding That Aside From the Problems of Suppressing Aggression and Assuring a Full Flow of Trade Among Nations, We Must Fight Depressions and Maintain Peace Time Full Employment by Keeping Up the War Time Scale of Production and Raising Living Standards. Says Government Must Be Responsible for Broad Economic Policies.

I am happy to join with you in setting apart this Independence Day as Truman Day. I know if circumstances would permit it, that President Truman would like nothing better than to be with us here today, and he has asked me to convey to you both his gratitude for the honor which you have done him and his heartfelt good wishes.

Robert E. Hannegan

Georgia is noted for many things and for many men. In a very special sense, she will always be associated in my heart and mind with the name of Franklin D. Roosevelt, who called Georgia "his other State." I know that it is a matter of intense pride and satisfaction to you that the healing waters at Warm Springs brought restoration and relief for the

*An address by Mr. Hannegan at the Truman Day cerebration in Roosevelt Square at Gainesville, Ga., July 4, 1945.

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A Clarified Labor Policy Needed

By EMIL SCHRAM*

President of the New York Stock Exchange

Holding That the Paramount Post-War Problems Are (1) a Tax Program to Favor Private Enterprise and (2) a Labor Policy to Deal With Complex Labor Relations, Mr. Schram Asserts That to Reestablish a Peacetime Economy Reliance Must Be on Greater Efficiency and More Production Rather Than Reduced Wages. Points Out That Under the Excess Profits Taxes, Managers Pay Less Regard to Costs Than in Normal Times and Warns That With Labor's Rights Fully Recognized, There Is Need of a Clearly Defined Federal Labor Policy. Offers Precepts of Labor-Management Cooperation and Favors Wage Rates Related to Living Costs.

All of us recognize that, as we prepare to bridge the gap between war and peace, many difficult and complicated adjustments will have to be made in our economy. The transition is not a simple problem, but requires the best intelligence, the largest measure of patience and a fine spirit of cooperation and of good faith among all groups. And, above everything else, we must believe resolutely in the democratic principles of government and in our competitive form of free enterprise. We must also be realistic and alert enough

Emil Schram

*Address delivered before the Advertising Club, Baltimore, Md., July 11, 1945.

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The CIO and the Little Steel Formula

By LEE PRESSMAN*

Counsel of the Congress of Industrial Organizations

CIO Official Recounts Efforts by His Organization to Break the Little Steel Formula. Contends That Living Costs Have Advanced More Than Wages and Critcises Bureau of Labor Statistics. Holds Corporation Profits Have Expanded and Attacks Policies of War Labor Board and of Former War Mobilizer Vinson. Calls for a 65c per Hour Minimum Wage, and Urges the Adoption of an Annual Wage for Workers but Says "There Is No Immediate Outlook for Change in National Wage Policy," and Proposes CIO Political Action.

Brother Chairman: At the outset I want to convey to you on behalf of President Murray, whom I left yesterday in Pittsburgh, and who asked me specifically to express to you his sincere regret that he could not get here to personally address your convention, and he asked me to bring to you his personal greetings and expression of his anticipation that this convention of the National Maritime Union will, as all its previous conventions, be a great success.

Lee Pressman

*An address by Mr. Pressman before the Fifth Convention of the National Maritime Union of America, Manhattan Center, New York City, July 6, 1945.

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Challenge of the Present

By EDWARD F. JOHNSON*
Chief Counsel, Standard Oil Company (N. J.)

Prominent Attorney, After Calling Attention to the Readjustments in Legal Concepts Caused by Social Trends, Points to the Elasticity in Judicial Decisions as Indicating That Although the Constitution Has Not Changed, "the Views of Justices Have". Holds It Is the Responsibility of Business in Cooperation With Government to Maintain Production and Prosperity and Sees a "Renewed Faith in Private Enterprise". Says Lawyers Must Look Ahead to New Social Trends and Lays Down Nine Precepts for Helping Business Leadership in Maintaining Its Responsibilities.

At some periods of history, the ever-changing patterns of human relationships as they are made manifest in institutions, laws and ideas, are fairly well fixed. At least, they will seem to be relatively stable if you happen to live at such a time. This feeling of stability persists even though you know from reading history that in all likelihood your period will some day be regarded as only a transient pause in the continuing process of social change and evolution.

Edward F. Johnson

When it happens that you gain your first professional experience, form opinions and work habits during such a stable period, you will have a considerable problem of readjustment if the seemingly fixed social patterns are suddenly thrown into a state of flux.

This is what has happened to many of us who began the practice of law in the Twenties or earlier. We are increasingly aware today how greatly our professional thinking was conditioned by circumstances which have lately undergone significant changes. We suspect, for example, that it may be necessary to reappraise our concepts of the relationships between the law, corporations and society. We sense that the times make new and greater demands of us as lawyers. We feel the need of examining those demands more closely, of attempting to redefine our responsibilities and seeing wherein they may be different

*An address by Mr. Johnson before the Maryland Bar Association in Baltimore, June 30, 1945.

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Toledo Bond Club's Golf Party Postponed

TOLEDO, OHIO—The 11th annual golf party of the Bond Club of Toledo scheduled to be held July 20 has been indefinitely postponed due to serious curtailment of traveling facilities which would have prevented many guests from attending.

Bear Market, Reaction Or Shake Out?

By EDSON GOULD
Of Smith, Barney & Co., New York

Asserting That Recent Stock Market Reactions With Respect to Industrials Are Due to Vague Fears and Forebodings of the Adverse Effects of Government Controls on Profit Margins and Earnings, Mr. Gould Holds It Becomes Increasingly Clear That (1) Prices Are Going to Be Controlled for an Indefinite Period Ahead; (2) That Controls May Be On the Rigid Side; and (3) That Wage Rates Will Be Permitted to Rise Further and Therefore (4) Margins Will Be Squeezed. Holds That There Is Oscillation Between Fear of Inflation and of Deflation and That There Are Bull and Bear Factors. Concludes That No Major Change in Investment Policy Is Indicated.

Was the recent shakeout in the market no more than a correction of an over-extended position aggravated by selling in anticipation of the increase in margin requirements or was it symptomatic of something more serious in the market structure? Why, for instance, are industrial stocks heavier in the market than rails and utilities? Why do they rise less in strong markets, decline more in weak markets? The answer lies in the outlook for price control, wages and profit margins. . .

Edson Gould

For some time investors and business men have had vague fears and forebodings of the adverse effects on margins and earnings of Governmental controls, but previous hopes that enough relaxation of price control to restore margins of profit on manufactured goods would come with reconversion are fading. Reconversion is already under way and will accelerate in the months ahead; already the first civilian automobiles are rolling off the lines. But it becomes increasingly clear that: (1) prices are going to be controlled for an indefinite period ahead; (2) that controls may be on the rigid side; (3) that wage rates will be permitted to rise further and that, therefore, (4) margins will be squeezed.

Now just as inflation hurts rails and utilities by raising costs, but tends to aid most industrial companies, so, conversely, price control tends to aid rails and utilities but impairs or destroys manufacturing margins.

It is not the decline of industrial activity which is certain to attend the coming cutbacks of war contracts that the market fears. It is not the physical problems of reconversion. It is not even the possibility of temporary unemployment of five million or more workers. It is the threat, the very real threat, to profitable opera-

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A Stifling Tendency

Proposals of NASD By-Law Amendments to Compel Registration of Employees, Traders, etc., Made Despite Failure to Reveal Board Purposes. Special Committee Personnel and Report Should Be Furnished to Member Firms. Proposed Remedy Unwarranted. "Professional Standing" An Unsolicited Decoy. Our Liberties Further Endangered By This Form of Regulation, Registration and Regimentation.

The effort by the Board of the National Association of Securities Dealers via by-law amendments, to compel the registration of salesmen, traders, partners, officers, and other employees of member-firms, has incurred our active opposition.

The following are some of the reasons for our editorial stand:

(1) An attempt is being made to impose additional regulation upon an already heavily burdened industry.

(2) The NASD is trying to legislate a change of the well-known trade customs and usages in the securities field. This is dehors its powers.

(3) The ballot being circulated affords no opportunity to vote severally on the various amendments, members having one of these three alternatives only: take it all, reject the whole, or refrain from voting.

(4) The communication, or letter of transmittal accompanying the ballot, is a crafty piece of cajolery and indicates anything but a "hands off" policy.

(5) The alleged secrecy of the proposed ballot, because of the manner in which it is being conducted, can be easily destroyed.

To us who have attempted to ferret out the intent and purposes behind this new brainstorm, the picture becomes more aggravating because of the NASD's playing "dead pan."

Let us re-examine in part this letter of transmittal, the significance of which is as much in its omissions as in its contents.

Referring to this attempt at enforced registration, Wallace H. Fulton, Executive Director of the NASD, says:

"This step is a logical one. It results from recommendations made to the Board from time to time by members and it comes after two years' study by the Governors and a Special Committee."

Now then, Mr. Fulton, who are the constituents of that Special Committee? When did they report? Was there a minority report? Why wasn't a copy of these reports sent to your members? If these reports help shape the views of your Governors, why haven't the members been supplied with them?

Here was an opportunity to practice openness. Why was it ignored?

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Prosperity by Spending

By J. E. LeROSSIGNOL
Dean Emeritus, College of Business Administration, University of Nebraska

Economist Recounts Increase in National Income During the War, and Contends That Wage Earners Have Benefited More Than Other Classes. Saying That It Looks as Though, by Magic, We Have Lifted Ourselves by the Bootstraps, He Cautions That, Measured by Buying Power Both Income and Savings Have Not Greatly Increased, and That Most of the New Wealth Has Been Cast in the Maw of War. He Attacks the Keynes and Hansen Theory of Public Spending and Public Works to Avoid Deflation, and Advocates Instead "a Judicious Expenditure of $10 Billions in Direct Relief to Carry People Over the Transition Period." Holds Private Enterprise, Without Government Competition, Can Restore Full Employment.


J. E. LeRossignol

Anyone can be—or seem to be—prosperous if he has money to burn or can borrow from his friends, but if his resources be limited he will presently find himself penniless or deep in debt. A great city, like some we could mention, may spend freely for a time, but is likely to be halted if not plunged into bankruptcy, by the taxpayers' inability to pay and the creditors' unwillingness to lend. The case of a sovereign

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Planning and Enterprise

By L. K. SILLCOX*
First Vice-President, New York Air Brake Company

Mr. Sillcox, After Asserting That We Need Not Visualize Sixty Million Persons in the Post-War Labor Force, Estimates That There Will Be a Net Movement of About Four Million Out of Manufacturing Industries. Holds That the Main Problems Will Be: (1) Relocation of Workers Because of Varying Impacts of Reconversion on Different Regions; (2) Readjustment of Veterans to New Occupations; and (3) the Maintenance of Sound Post-War Economy. Says Wages Must Be Based on Productivity and Not Strength of a Union and Taxation Must Be Reduced to Stimulate Private Enterprise. Stresses Importance of Farming and Concludes That Higher Living Standard Is the Most Important Post-War Objective.


L. K. Sillcox

In planning for the future one of the first problems, already much discussed, is that of employment. In April 1940 there were about 54,000,000 men and women in the labor force including 45,500,000 employed persons, about 8,000,000 unemployed, and approximately 500,000 in the Armed Forces. Four years later the total labor force had expanded by more than 9,000,000 to 63,000,000. Civilian employment was nearly 51,000,000—about 6,000,000 above the same period four years previous. The unemployed had decreased by 7,000,000, and the Armed Forces had increased by 10,500,000. Our ability to expand the labor force by 9,000,000 explains much of the success of our war mobilization. This represents a growth of 6,000,000 to 7,000,000 over and above the increase which normally might have been expected to occur during four years as a result of population growth. Three million of the so-called abnormal increment to the wartime labor force have

(Continued on page 208)

*An address by Mr. Sillcox before the New York State Institute of Community Service, Syracuse University, July 4, 1945.

Competitive Bidding— Is It Good or Bad?

Letters Received by "Chronicle" on Subject in General And in Light of Indicated Campaign of Proponents of Auction Bid Method to Extend Policy to Include High Grade Industrial, Along with Rail and Public Utility Issues

In the "Chronicle" of June 21, on page 2720, we published a report bearing the caption "Competitive Bidding—Is It Good or Bad?", in which attention was called to the indicated efforts of proponents of competitive bidding to launch a campaign for the purpose of extending the auction bidding method to include high grade industrial issues. In view of this fact and in light of the apparently widespread opposition within the securities industry to the competitive bidding procedure now required in the case of railroad and public utility issues, the "Chronicle" invited comments from its readers regarding the subject in general. As stated, all of the communications will be given in our columns, with the number to appear in any single issue being governed solely by space limitations.

We are able to accommodate today some of the considerable volume of expressions already in hand and others will be given in subsequent issues. We invite the views of anyone interested in the subject and would ask that communications be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. **Naturally, in no instance will the identity of the correspondent be revealed if a request for anonymity is made.**

The first group of comments are given herewith:

* * * * *

GEORGE K. BAUM

Baum, Bernheimer Co., Kansas City, Mo.

We wish to go on record as being unalterably opposed to competitive bidding on high grade industrial issues.

We think this type of bidding is not compatible with industrial financing, as the services of a banker are definitely required to set up the issues and the character of the issues should be determined in accordance with the credit of the issuer rather than by the issuer naming the terms of the financing. We believe this cannot be done satisfactorily under competitive bidding on high grade industrial issues.

* * * * *

A DENVER DEALER

As I view it, Competitive Bidding has done nothing but provide a better price for the issuer. Surely the investor is paying more, and the underwriter and dealer are getting shorter profits.

I would not like to see Competitive Bidding extended to industrial issues.

* * * * *

A VIRGINIA DEALER

I am opposed to competitive bidding because I do not think that there is any doubt whatever but that it has created prices and

(Continued on page 193)

Plan Export Import Bank Expansion

By HERBERT M. BRATTER

WASHINGTON, D. C., July 11.—It was decided at the end of today's hearings that overnight the Foreign Economic Administration will draft a new Bill which will change the management features of the pending Export Import Bank legislation and which will improve the financing features.

Herbert M. Bratter

The present plan is that Leo Crowley as head of the FEA will become Chairman of the Board of the expanded Export Import Bank and will act as chairman of the advisory council supervising financial activities abroad. This is the same council which is called for in the Bretton Woods legislation. While the personnel will be the same, for the purposes of the Bretton Woods Fund and Bank, the Secretary of the Treasury will be Chairman of the Council, whereas for the purposes of the Export Import Bank the chairman will be the head of the FEA.

Indications are that there will be five members on the board of directors of the new Export Import Bank. Three of these will be full-time directors nominated by the President of the United States. The other two will be the Secretary of State and the Foreign Economic Administrator.

As indicated tonight, the expanded Export Import Bank will have a subscribed capital of either $1 billion or $1.1 billion, paid in by the Treasury of the United States, and the Bank will obtain another $1 billion or $1.1 billion by the sale of debentures. Unlike the Bretton Woods Bank, the expanded Export Import Bank will have a lending and guaranteeing capacity greater than its paid-up capital. This capacity will be $3.5 billion if present House plans hold.

It is definitely envisaged that under this proposal the Export Import Bank will be free to come back to Congress at any time for additional funds should they be needed.

In announcing the intention to take up this measure on the floor of the House on Friday of this week, Chairman Spence of the House Banking and Currency Committee said that it is his understanding that the American Bankers Association are in favor of this Bill and that he knows that W. Randolph Burgess, who is President of the American Bankers Association, also favors it. In answer to a question of Congressman Wolcott, Assistant Secretary of State, Dean Acheson agreed that the primary object of expanding the Export Import Bank now is to facilitate the movement of American goods into foreign countries.

It was revealed during the hearings today that the Export Import Bank is currently negotiating with Norway and Denmark concerning loans, and with the Netherlands Government on behalf of the Netherland East Indies. Preliminary discussions with other countries are also under way.

SEC Holds Meeting On Disclosure Rule

Meeting Prompted by Introduction of Boren Bill to Exclude Dealers in Municipal Securities From Provisions of Such a Rule. Treanor Again Suggests Compulsory Disclosure for All Classes of Securities. Chairman Purcell Holds That Rules Should Be Promulgated to Regulate Municipal Bond Trading and Commissioner Pike States Such Regulation Is Needed to Protect Occasional and Non-Institutional Buyers. Municipal Financial Officers Oppose Rules, Because There Is "No Recognized Market for Municipals" and That Rules Would Mean Regulation of Primary Market and Hamper Municipal Finances.

At Philadelphia, on July 10, in the office of the SEC, there was held the informal meeting between the SEC and representatives of the municipal bond market. Chairman Ganson Purcell of the SEC presided. The meeting was occasioned by the circulation by SEC some time ago of its proposed Rule X15C1-10, to prevent the promulgation of which is the object of the Boren bill in its revised form (HR 3129).

Ganson Purcell

From statements made at the meeting it is clear that the SEC has given up the idea of promulgating a rule like X-15C1-10 (the Full Disclosure Rule), now withdrawn, but not the idea of promulgating some similar rule affecting dealers in private over-the-counter securities. James A. Treanor, Chief of SEC's Trading and Exchange Division, disclosed that should any further attempt be made to draft a disclosure rule it will be done under Section 15C(2) of the Act, not 15C(1). Section 15C(2) specifically refers to "fictitious quotations" as coming under "fraudulent, deceptive or manipulative" acts or practices, and specifically excludes from its provisions "exempted securities," *i.e.*, securities exempted from regulation under the Act. Although municipal bonds come within the range of 15C(1), Section 15C(2) does not reach them. Mr. Treanor said he had been impressed with a brief prepared by David M. Wood.

Commissioner Sumner T. Pike explained the SEC's view that some rule by the Commission is necessary for the protection of the occasional and non-institutional buyer of municipals.

According to Mr. Pike, "the

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NSTA Notes

TWIN CITY BOND TRADERS CLUB

The annual Field Day of the Twin City Bond Traders Club will be held on Friday, July 20, 1945, at Midland Hills Country Club, located midway between Minneapolis and St Paul. All traders are cordially invited.

NSTA ADVERTISING NOTES

"40 WITH 8"

Have you sent in your ad for the annual supplement of the "Financial Chronicle"? If not please take off a minute or two and do this important thing. You might call some others and let's go over the top for the NSTA 1945 annual meeting issue of the "Commercial and Financial Chronicle." We have but seven weeks left. Consult your district chairman and he will gladly inform you of the meaning of "40 with 8." It should encourage development of old accounts as well as new ones.

Your advertising committee is very much pleased with the amount of new accounts coming in this year and feel confident our advertising will run over any previous year. Of course this means you will have to help a bit. So K.I.M.—Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., New York, N. Y. A. W. Tryder, Vice-Chairman NSTA Advertising Committee, W. H. Newbold's Son & Co., Philadelphia.

Calendar of Coming Events

July 20, 1945—Twin City Bond Traders Club Annual Field Day at Midland Hills Country Club.

August 17, 1945—Bond Club of Denver Annual Frolic with Rocky Mountain Group of I. B. A. at Park Hill Country Club.

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.

Public Utility Securities

Excess Profits Taxes

Wall Street was doubtless disappointed that the Administration decided not to modify excess profits tax rates until after V-J Day. But since foreseeable events are usually discounted in advance, the recent gains in utility stocks were probably based in part on expectations that, sooner or later, the heavy tax burden carried by the utility companies will be lightened.

Unfortunately, complete tax figures are not available for all utility companies—some do not publish a "break-down" of their Federal payments, others, such as Pacific Gas & Electric, may disclose the data in prospectuses, etc. Among those for which data is available, the 20 companies tabulated below appear to have about the heaviest EPT in relation to their share earnings.

Excess profits taxes per share are taken after deducting the 10% post-war credit, and adding special charges in lieu of tax savings. Many companies which have had refunding operations during 1944-45 have made substantial tax savings by charging off against income (as the Treasury Department permits them to do) the premiums over par paid in retiring the old securities. Of course, these special charge-offs do not appear in the reports as published, but only in the reports as made to the Treasury Department. The amount of the tax saving is set up as a special amortization item in the stockholders' statement, in order to preserve a correct accounting picture from a normal tax standpoint.

Relief from EPT after the war would not mean a complete saving of the amount of EPT per share, since the normal 40% income and surtax rate would then apply to the amount of income to which the EPT is now applicable. The present EPT rate is 95% but 10% of this is refunded, either currently (if there are debt retirements) or after the war, hence it is customary to consider the net EPT rate as 85½%. Also there is an overall tax limit of 80% of surtax net income (computed before deducting the post-war credit). Thus it has become customary to estimate that elimination of EPT would, in round figures, mean a saving of about one-half of these taxes (not of total Federal income taxes).

EPT figures reduced to a per share basis serve two statistical purposes—first, they reflect the depth of the cushion for earnings, should increased costs or decreased revenues reduce profits during reconversion or in the immediate post-war period (while EPT are still in operation); second, they measure the advantages which stockholders might (theoretically) obtain if present earnings and operating conditions should be "frozen," remaining at current levels when EPT are eliminated. The latter assumption is, of course, unreliable. Many state commissions which hesitated to follow the regulatory policy in the State of Michigan, of syphoning off EPT payments as temporary rebates for customers, will not hesitate to order substantial rate cuts if earnings should increase to the levels indicated in column four of the accompanying table.

On the other hand, the utility companies would doubtless use these rate cuts as an occasion to put on campaigns for the sale of electrical appliances. WPB is already "loosening up" on the production of household appliances, and washing machines (heavy current consumers) will probably be available in quantity by the end of the year, it is reported. Increased residential business, even at lower rates, would be more profitable to most utilities than the industrial war business which they have been handling at extremely low rates.

The figures presented below should not be taken too seriously, but nevertheless may be of statistical aid in the search for potential utility bargains in the post-war period.

EFFECT OF EPT TAX SAVINGS ON EARNINGS

Company—	Recent Price About	EPT 1944 *(000)	Amt. EPT Per Share Common	Earns. Per Share Common	Earns. Plus ½ EPT	Price—No. Times Adj. Earn.
Indianapolis Power & Light	26	$3,660	$5.13	$1.88	$4.45	5.9
Public Service of Indiana	28	5,588	5.04	1.93	4.45	6.3
San Diego Gas & Electric	16	2,304	1.84	.91	1.83	8.7
Standard G. & E., prior pfd.	105	10,542	22.50	10.34	21.59	4.9
Commonwealth & Southern, pfd.	109	22,265	15.10	7.68	15.21	7.2
Columbia Gas & Electric	7	12,070	.99	.59	1.09	6.4
Engineers Public Service	25	6,272	3.29	2.50	4.15	6.0
Detroit Edison	23	†13,196	†2.08	†1.38	†2.42	9.5
Public Service of New Jersey	25	9,287	1.69	1.06	1.91	13.0
Federal Light & Traction	22	981	1.88	1.41	2.35	9.4
American Water Works	16	3,228	1.38	1.36	2.05	7.8
American Gas & Electric	37	10,330	2.30	2.32	3.47	10.7
Peoples Gas Light & Coke	87	7,163	11.00	4.67	10.17	8.6
Pacific Lighting	53	8,519	5.31	3.31	5.97	8.9
Pacific Gas & Electric	40	12,682	2.04	2.18	3.20	12.5
Central Illinois Electric & Gas	24	1,055	2.65	2.04	3.37	7.1
Delaware Power & Light	21	1,074	.92	1.18	1.64	12.8
Idaho Power	36	665	1.48	2.39	3.13	11.5
North American	26	10,080	1.18	1.69	2.28	7.9
Boston Edison	42	3,365	1.41	2.11	2.82	14.9

*Including charges in lieu of tax savings. †1943 figure (1944 was abnormal due to rebates to customers ordered by regulatory authorities).

Tomorrow's Markets Walter Whyte Says—

Current rally is encouraging but not convincing. Hold old long positions but inadvisable to add to them.

By WALTER WHYTE

At least one of the reasons for the break of last week is now known; the 75% margin rule. What the additional news will be must remain in the realm of conjecture. Yet, you can be practically certain that there is a lot more fire behind the recent smoke.

* * *

So far as the increased margin is concerned, it is strictly one of those things. Everybody knew it was coming, though the general expectation was a full 100%. To that extent the 25% cut from the widely expected figure must be considered as a kind of left-handed good piece of news. Actually the new margin means little in actual practice. If you buy stocks for 10 and under you still have to put up the entire cash value. And practically everybody who has been buying stocks for over 10 has been putting up enough cash to make it almost an outright purchase rather than a margin deal.

It wasn't until last Friday that prices began to show any rallying power. Before that they just fumbled around; started a couple of weak rallies, always ending up with a set-back, each set-back establishing a lower price than the previous low. Monday,

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Leon H. Sullivan V.-P. of Arthur L. Wright

PHILADELPHIA, PA.—Arthur L. Wright & Co., Inc., 1420 Walnut Street, announces the election of Leon H. Sullivan as Vice-President of their firm. Mr. Sullivan has been with the firm for some time.

Railroad Securities

MONON

After long delays the Monon reorganization plan was finally approved by Federal Judge Igoe on June 21. Unless unexpected legal delays should interfere with the normal developments, consummation of reorganization, together with delivery of new securities, is possible late next year or early in 1947.

The Monon reorganization was very drastic, total amount of fixed debt being reduced from $31.58 million to $4.1 million and to $20.7 million of fixed and contingent debt. Fixed charges were reduced from $1.47 million to $165,000 and to $870,000 if we include fixed and contingent interest. In computing the latter figure we have ignored Capital Fund since beginning Jan. 1, 1943 this account has been offset by a special account, Reserve for Maintenance of Way and Structures, authorized by the Commission as of that date. We have also eliminated sinking funds for purposes of comparison, most solvent roads not having sinking funds as a mandatory charge on earnings.

The Monon petitioned for receivership on Dec. 30, 1933, having been hard hit by a combination of depression influences and severe truck competition. Gross revenues declined from an average of $18 million in the 20s to $7.6 million in the 30s and net available for charges from an average of better than $2.75 million to less than $500,000 in the 30s.

As in the case with all Class I carriers, this company benefited from the war period, gross rising to $13.5 million in 1944 ($12.7 average in the past three years) with net available for charges averaging about $2.5 million during the war period, with peak earnings of $3.02 million in 1943.

Fundamentally the Monon is strategically situated, operating as it does 549 miles of road in Illinois, Iowa and Kentucky, affording an entrance into Chicago for the two carriers, Louisville & Nashville and Southern Railway, which controlled the old company through stock ownership. Bituminous coal is the chief traffic item, constituting about one-half of total freight tonnage, while manufactured goods contribute about 30%.

In the reorganization not only were bondholders treated very drastically, but even Louisville & Nashville and Southern Railway, which as previously stated owned a majority of the old common and preferred stocks, were eliminated. However, traffic interchange with both the L. & N. and Southern have been important sources of revenue to the Monon in the past. The Commission recognized this fact in that there was provided in the plan a means of depositing both the Class A and Class B common stock under trust agreement whereby trustees would have the authority to sell up to 50% of both classes during the life of the trust in exchange for traffic agreements, guarantees or other agreements beneficial to the Monon.

Immediately following Judge Igoe's approval the old bonds rose sharply and "when issued" trading, which was inaugurated immediately thereafter, began at levels somewhat higher than originally thought probable. The First Income 4s, 1983, sold at 98 and are currently selling at 101; the Second Income 4½s, 2003, at 79, now 79½; and the $25 par Class A common at 16, now 16¼. There is no market for the Class B common but for purposes of computation, a nominal value of $8 per share is given to this junior equity.

On the basis of these prices, the C. I. L. Refunding bonds (three series old company) are selling at prices ranging from 96 to 108, whereas their valuation based upon prices of the "when issued" securities are 111 to 126. The Junior First & General 5s and 6s, selling around 29 and 31, respectively, have a projected value based on the "when issued" securities of only 18¾ to 20. This latter figure is based upon a value of 8 for the Class B stock. It is difficult to determine the true value of the new Class A or B common until such time as trustees determine at what prices the new Class A and B stock will be offered to the L. & N. and Southern Railway, respectively.

The plan provides that the newly reorganized Monon may use excess working capital to purchase Class A stock as may be agreed upon with Class A stockholders, this of course subject to the approval of the ICC. As of March 31, 1945, net working capital totaled $9.4 million. There will be very little surplus of net working capital available to buy the Class A stock, however, since fixed and contingent interest requirements from Jan. 1, 1943, through 1946 as well as those for reorganization expenses, will probably require half of this amount. Additionally much of the road's equipment has become obsolete and considerable funds may be needed to purchase new freight and passenger cars as well as motive power. Accordingly, the market may not have the benefit of the stabilizing influence of company purchases of the Class A stock, from excess working capital resources.

The post-war outlook for the Monon is moderately satisfactory if we assume that trustees will insure a continuing interest of the two controlling carriers in the Monon by permitting both the L. & N. and the Southern to purchase a 50% equity in the new company at favorable prices. While it is true that the road was particularly vulnerable to truck competition in the 30s and while it is also true that its long term revenue trend has been decidedly unfavorable, there is reason to believe that truck competition will be less acute post-war and the general level of traffic for a period of years, at least, should be considerably greater than that of the 30s. It therefore seems probable that under normal conditions the Monon should be able to gross $12 million and to bring through to net available for charges after income taxes around $1.4 million which would just about cover $1.25 dividend on the Class A stock. It seems highly improbable that any earnings of consequence will be shown for the Class B.

The Refunding bonds of the old company, selling as they are at a discount of 15% from their "when issued" equivalent value, are still attractive. The junior bonds do not seem to possess unusual speculative appeal. The First Income 4s (101.50 w.i.) are moderately attractive. Included in this price are accumulations of 12 points. The Second Income 4½s (79½ w.i.), with 12 points accruals through 1946, do present sound value and at the same time offer good speculative possibilities.

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Does Not Recommend Legislation, but Holds That the Retention of a Degree of Military Power Requires "an Alert and Trained Citizenry Capable of Prompt Mobilization." Says It Is Not Feasible to Rest Future Security on a Large Standing Force Which is "Repugnant to the American People."

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The select committee on post-war military policy, of the House of Representatives, between June 4 and June 19, inclusive, conducted extensive hearings on the question: "Should the United States adopt as a matter of broad policy a system of universal military training in the post-war period?"

This committee realizes that several very important problems will be encountered in working out a final solution but is confident that the appropriate committees of the Congress are fully competent to solve them. Indeed, this committee, obedient to the resolution establishing it, confines its recommendations to the field of policy, and refrains from entering the field of legislation.

The committee welcomed and sought information and advice from citizen groups and organizations, from Government officials, and from individuals whose background and experience qualified

(Continued on page 212)

Public Utility Securities

Excess Profits Taxes

Wall Street was doubtless disappointed that the Administration decided not to modify excess profits tax rates until after V-J Day. But since foreseeable events are usually discounted in advance, the recent gains in utility stocks were probably based in part on expectations that, sooner or later, the heavy tax burden carried by the utility companies will be lightened.

Unfortunately, complete tax figures are not available for all utility companies—some do not publish a "break-down" of their Federal payments, others, such as Pacific Gas & Electric, may disclose the data in prospectuses, etc. Among those for which data is available, the 20 companies tabulated below appear to have about the heaviest EPT in relation to their share earnings.

Excess profits taxes per share are taken after deducting the 10% post-war credit, and adding special charges in lieu of tax savings. Many companies which have had refunding operations during 1944-45 have made substantial tax savings by charging off against income (as the Treasury Department permits them to do) the premiums over par paid in retiring the old securities. Of course, these special charge-offs do not appear in the reports as published, but only in the reports as made to the Treasury Department. The amount of the tax saving is set up as a special amortization item in the stockholders' statement, in order to preserve a correct accounting picture from a normal tax standpoint.

Relief from EPT after the war would not mean a complete saving of the amount of EPT per share, since the normal 40% income and surtax rate would then apply to the amount of income to which the EPT is now applicable. The present EPT rate is 95% but 10% of this is refunded, either currently (if there are debt retirements) or after the war, hence it is customary to consider the net EPT rate as 85½%. Also there is an overall tax limit of 80% of surtax net income (computed before deducting the post-war credit). Thus it has become customary to estimate that elimination of EPT would, in round figures, mean a saving of about one-half of these taxes (not of total Federal income taxes).

EPT figures reduced to a per share basis serve two statistical purposes—first, they reflect the depth of the cushion for earnings, should increased costs or decreased revenues reduce profits during reconversion or in the immediate post-war period (while EPT are still in operation); second, they measure the advantages which stockholders might (theoretically) obtain if present earnings and operating conditions should be "frozen," remaining at current levels when EPT are eliminated. The latter assumption is, of course, unreliable. Many state commissions which hesitated to follow the regulatory policy in the State of Michigan, of syphoning off EPT payments as temporary rebates for customers, will not hesitate to order substantial rate cuts if earnings should increase to the levels indicated in column four of the accompanying table.

On the other hand, the utility companies would doubtless use these rate cuts as an occasion to put on campaigns for the sale of electrical appliances. WPB is already "loosening up" on the production of household appliances, and washing machines (heavy current consumers) will probably be available in quantity by the end of the year, it is reported. Increased residential business, even at lower rates, would be more profitable to most utilities than the industrial war business which they have been handling at extremely low rates.

The figures presented below should not be taken too seriously, but nevertheless may be of statistical aid in the search for potential utility bargains in the post-war period.

EFFECT OF EPT TAX SAVINGS ON EARNINGS

Company—	Recent Price About	EPT 1944 *(000)	Amt. EPT Per Share Common	Earns. Per Share Common	Earns. Plus ½ EPT	Price—No. Times Adj. Earn.
Indianapolis Power & Light	26	$3,660	$5.13	$1.88	$4.45	5.9
Public Service of Indiana	28	5,588	5.04	1.93	4.45	6.3
San Diego Gas & Electric	16	2,304	1.84	.91	1.83	8.7
Standard G. & E., prior pfd.	105	10,542	22.50	10.34	21.59	4.9
Commonwealth & Southern, pfd.	109	22,265	15.10	7.68	15.21	7.2
Columbia Gas & Electric	7	12,070	.99	.59	1.09	6.4
Engineers Public Service	25	6,272	3.29	2.50	4.15	6.0
Detroit Edison	23	†13,196	†2.08	†1.38	†2.42	9.5
Public Service of New Jersey	25	9,287	1.69	1.06	1.91	13.0
Federal Light & Traction	22	981	1.88	1.41	2.35	9.4
American Water Works	16	3,228	1.38	1.36	2.05	7.8
American Gas & Electric	37	10,330	2.30	2.32	3.47	10.7
Peoples Gas Light & Coke	87	7,163	11.00	4.67	10.17	8.6
Pacific Lighting	53	8,519	5.31	3.31	5.97	8.9
Pacific Gas & Electric	40	12,682	2.04	2.18	3.20	12.5
Central Illinois Electric & Gas	24	1,055	2.65	2.04	3.37	7.1
Delaware Power & Light	21	1,074	.92	1.18	1.64	12.8
Idaho Power	36	665	1.48	2.39	3.13	11.5
North American	26	10,080	1.18	1.69	2.28	7.9
Boston Edison	42	3,365	1.41	2.11	2.82	14.9

*Including charges in lieu of tax savings. †1943 figure (1944 was abnormal due to rebates to customers ordered by regulatory authorities).

Tomorrow's Markets Walter Whyte Says—

Current rally is encouraging but not convincing. Hold old long positions but inadvisable to add to them.

By WALTER WHYTE

At least one of the reasons for the break of last week is now known; the 75% margin rule. What the additional news will be must remain in the realm of conjecture. Yet, you can be practically certain that there is a lot more fire behind the recent smoke.

* * *

So far as the increased margin is concerned, it is strictly one of those things. Everybody knew it was coming, though the general expectation was a full 100%. To that extent the 25% cut from the widely expected figure must be considered as a kind of left-handed good piece of news. Actually the new margin means little in actual practice. If you buy stocks for 10 and under you still have to put up the entire cash value. And practically everybody who has been buying stocks for over 10 has been putting up enough cash to make it almost an outright purchase rather than a margin deal.

It wasn't until last Friday that prices began to show any rallying power. Before that they just fumbled around; started a couple of weak rallies, always ending up with a set-back, each set-back establishing a lower price than the previous low. Monday,

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NSTA Notes

TWIN CITY BOND TRADERS CLUB

The annual Field Day of the Twin City Bond Traders Club will be held on Friday, July 20, 1945, at Midland Hills Country Club, located midway between Minneapolis and St Paul. All traders are cordially invited.

NSTA ADVERTISING NOTES

"40 WITH 8"

Have you sent in your ad for the annual supplement of the "Financial Chronicle"? If not please take off a minute or two and do this important thing. You might call some others and let's go over the top for the NSTA 1945 annual meeting issue of the "Commercial and Financial Chronicle." We have but seven weeks left. Consult your district chairman and he will gladly inform you of the meaning of "40 with 8." It should encourage development of old accounts as well as new ones.

Your advertising committee is very much pleased with the amount of new accounts coming in this year and feel confident our advertising will run over any previous year. Of course this means you will have to help a bit. So K.I.M.—Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., New York, N. Y. A. W. Tryder, Vice-Chairman NSTA Advertising Committee, W. H. Newbold's Son & Co., Philadelphia.

Calendar of Coming Events

July 20, 1945—Twin City Bond Traders Club Annual Field Day at Midland Hills Country Club.

August 17, 1945—Bond Club of Denver Annual Frolic with Rocky Mountain Group of I. B. A. at Park Hill Country Club.

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.

Leon H. Sullivan V.-P. of Arthur L. Wright

PHILADELPHIA, PA.—Arthur L. Wright & Co., Inc., 1420 Walnut Street, announces the election of Leon H. Sullivan as Vice-President of their firm. Mr. Sullivan has been with the firm for some time.

Railroad Securities

MONON

After long delays the Monon reorganization plan was finally approved by Federal Judge Igoe on June 21. Unless unexpected legal delays should interfere with the normal developments, consummation of reorganization, together with delivery of new securities, is possible late next year or early in 1947.

The Monon reorganization was very drastic, total amount of fixed debt being reduced from $31.58 million to $4.1 million and to $20.7 million of fixed and contingent debt. Fixed charges were reduced from $1.47 million to $165,000 and to $870,000 if we include fixed and contingent interest. In computing the latter figure we have ignored Capital Fund since beginning Jan. 1, 1943 this account has been offset by a special account, Reserve for Maintenance of Way and Structures, authorized by the Commission as of that date. We have also eliminated sinking funds for purposes of comparison, most solvent roads not having sinking funds as a mandatory charge on earnings.

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(Continued on page 212)

Real Estate Securities

Park Lexington Company

We have often stressed in this column that one of the most important factors affecting the value of real estate securities is the regularity and size of sinking funds for the retirement of bonds.

A real estate bond issue that appeals to us because of large bond retirement is that of the Park Lexington Company. Of $4,768,500 bonds issued in reorganization in the latter part of 1937, there remains in public hands only $3,000,000 bonds. $1,084,000 have been retired by sinking fund operation, $684,500 are held in the Company's treasury and $51,000 by a wholly owned subsidiary formed by the Company in 1944 to buy their bonds.

The bond issue is secured by a first mortgage on the Corporation's leasehold estate and buildings thereon. Buildings consist of a 20-story office building occupying the entire easterly block front of Park Avenue from 46th to 47th Streets and the adjoining 12-story Grand Central Palace, a leading exhibition place of New York, occupying the entire westerly block front of Lexington Avenue from 46th to 47th Streets. The first four floors of the Grand Central Palace were used for industrial exhibits in peace times, but have been taken over by the U. S. Army as an induction center.

The Government's lease on this space should be cancelled around the war's end, but demand for these quarters will be sharply increased by manufacturers desiring to exhibit their wares for the first time in years. There have also been rumors of a possible deal with one tenant for the use of the entire building. We understand, however, that the Company has been setting aside funds for the alteration of the building for exhibition purposes ($50,000 set aside in 1944).

Ground rent is 20% of the gross income, but not in excess of 45% of the net income with a minimum rental of $130,000 annually to May 15th, 1954 and $150,000 thereafter to May, 1964, when the lease is renewable for a 21-year period. This rental is a result of a new renewal negotiated in 1943 and seems to be more advantageous than the former lease the Company had. For instance, in 1942 the Company paid a ground rent of $205,833.34 and if this new lease had been in effect, all they would have had to pay would have been $154,000.

Further benefit in the lease is that the Corporation only had to pay one-half of the real estate taxes on the land and 90% of taxes on the building, the landlord paying the rest.

Assessed valuation for 1945/6: Land—$6,150,000, Buildings—$2,750,000. Certiorari proceedings for reduction of taxes for the tax years 1940/41 through 1944/45 are pending. Company has also filed a protest in respect of the 1945/46 assessments. Certiorari proceedings against the City of New York in many cases have resulted in large reductions and refunds. A successful conclusion of these suits should aid these bonds. Indication of the value of the bonds is that interest is being earned 2.80 times. Interest is fixed at 3% with 1% additional if earned, after $100,000 per year for sinking fund provisions. ½% additional interest was paid on July 1st, 1945. Bonds are currently quoted 72-3¼ and are traded on the New York Curb Exchange and Over-the-Counter. 23,842 common shares of stock junior to these bonds are also traded Over-the-Counter and are currently quoted 16 bid, offered at 18.

Dealer-Broker Investment Recommendations and Literature

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

Investors Almanac, July—September, 1945—with suggestions for stock switches—Estabrook & Co., 15 State Street, Boston 1, Mass., and 40 Wall Street, New York 5, N. Y.

Market Comments—Particularly on outlook for "home" industries—Bennett & Palmer, 165 Broadway, New York 6, N. Y.

New York Bank Stocks—Quarterly comparison and analysis of 19 New York Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Post-War — Circulars on **Dunningcolor; Interstate Air & Engineering; Merchants Distilling; Nu-Enamel;** and **Colorado and Southern**—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Railroad Operating Results for the First Half of 1945, and the outlook for the balance of the year—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

Reconversion and the Investment Outlook—Study containing some suggested issues for the immediate and longer term—Thomson & McKinnon, 231 South La Salle Street, Chicago 4, Ill.

Aetna - Standard Engineering Co. — Detailed analysis — Luckhurst & Co., 40 Exchange Place, New York 5, N. Y.

Also available are detailed research analyses on **General Industries, Youngstown Steel Car,** and **Four Low Priced Convertible Preferreds** (including Aeronca Aircraft, Aireon Manufacturing, Asbestos Manufacturing, and Miller Mfg. Co., Class A).

Alabama Great Southern Railroad—Circular—Adams & Peck, 63 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.**

Belden Manufacturing Company—Detailed discussion of outlook—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available is a report on **Kern County Land Company.**

Boston & Albany Railroad Impr. 4¼s, due 1978—Memorandum for dealers—O'Connell & Janareli, 120 Broadway, New York 5, N. Y.

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

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

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.**

Consolidated Electric & Gas Co. preferred and **Central Public Utility Corp.** Income 5½s of 1952—A study—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

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.

A. de Pinna Company—Circular—**Herrick, Waddell & Co., Inc.,** 55 Liberty Street, New York 5, N. Y.

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

Also available is a memorandum on **Gerber Products.**

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.

Franklin Railway Supply Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

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

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

Gro-Cord Rubber Company—Statistical memorandum on post-war outlook—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

H & B American Machine Preferred—Analysis—Allen & Company, 30 Broad Street, New York 4, N. Y.

Industrial Brownhoist Corp.—Detailed discussion of company in the rail equipment and heavy industry field—Goshia & Co., Ohio Building, Toledo 4, Ohio.

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.

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.

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.

Serrick Corp.—Current analysis on interesting outlook—Sills & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Simplex Paper Corp.—Report—White, Noble & Co., Michigan

(Continued on page 221)

Competitive Bidding—Is It Good or Bad?

(Continued from page 188)

interest rates out of all proportion to values in a normal market. As for the distributors—and I do not see how the big underwriting houses can get along without them altogether—there is no profit in the investment business where competitive bidding is involved.

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JOHN D. MAC NAUGHTON, PRESIDENT

MacNaughton-Greenawalt & Co., Grand Rapids, Mich.

It is apparent that the proponents of competitive bidding are not satisfied with the operations in the public utility and railroad bond field and want wider territory and to include industrial financing.

It has always occurred to us that negotiated contracts for the purchase and distribution is the sound method for the corporation seeking credit and the most intelligent and sound approach for obtaining stocks and bonds from corporations to be sold to the clientele of the investment house. In this procedure there is an opportunity for a spirit of fairness to prevail. Cooperation between the borrower and lender and all parties affected should bring about a healthier situation than the highly competitive business of "competitive bidding."

As investment bankers, we feel that the underwriter and distributing group is heading towards disaster in the "competitive bidding" business. At present when capital is abundant we see unprecedented low interest rates. When capital becomes scarce, we are very apt to go to the other extreme because of the years there will be no close relationship or cooperation between borrower and lender.

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P. PURDHAM

Burns, Potter & Co., Omaha, Neb.

We were opposed to competitive bidding on public utility and railroad issues. We are likewise opposed to competitive bidding on industrials.

In our opinion this method of raising capital is economically unsound. It works beautifully for the issuer in a period of declining interest rates and advancing security prices. The issuer gets the last dime obtainable and the investor pays the last dime that can be obtained for the issue at the time of sale. The underwriting firms under those conditions make small profits and the resulting risks are small.

After more than 25 years in the business I have concluded that markets do not **always** advance. Surely a day will come when the value of corporation securities in the market places of this country will be declining. Underwriters under those conditions will have no moral responsibility to see that a worthy borrower is financed. Underwriters will certainly bid only if they see a reasonable opportunity for profit without too much risk.

Financial history is replete with examples of corporations being able to raise capital under difficult conditions because the underwriting house who had been closely identified with previous financing was willing to undertake the risk—for a profit and for the sake of keeping the business solvent.

I am still wondering what would have happened to the C. B. & Q. R. R. in 1921 if J. P. Morgan et al had not been closely identified with the financing of that system prior to the maturity of the one hundred odd million of bonds that matured at that time.

And after all, shouldn't the investor receive some of the protection which now covers only the issuer of securities? Isn't he entitled to a bit of a break occasionally, even in a rising market? Under competitive bidding he will never get anything but bad breaks and will always be paying the last dime that can be obtained under competitive bidding conditions. I have a faint recollection that all of this regulation of the security business was originally devised for the protection of investors. Perhaps I am wrong, but if so it should be remembered that he **needs** some protection.

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C. P. JAFFRAY

Piper, Jaffray & Hopwood, Minneapolis

I believe that our feeling is that of the majority of investment bankers. We do not approve of it and we believe that to try to adapt it to the average industrial financing would be almost impossible. There is too much preliminary work that has to be done by the bankers in setting up an industrial deal to lend itself to competitive bidding. We believe that the average industrial concern would suffer greatly in its investment and banking advice.

In the case of competitive bidding on utility issues, the situation is not quite the same.

The only reason, in our opinion, that this has been as successful as it has is because of the rising market. If we got into a falling market, or a poor market, a very serious situation would develop.

These are our reasons in brief—obviously they could be greatly enlarged upon—but you know the answer anyway.

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GEORGE N. GIVAN, PRESIDENT

Givan Co., Milwaukee, Wis.

We appreciate that there are sound arguments both for and against competitive bidding on new underwritings.

However, it has always been our feeling that corporations are best served where their financing is handled by established banking connections. During periods such as the present, where the demand for new issues is great, competitive bidding works better than we believe it will when new underwritings are not so easily sold.

We also believe that competitive bidding results in many cases, in over priced securities and in spreads that make the business unprofitable to both the underwriters and the participating dealers. When all angles are taken into consideration, we believe that over a period of time, both the borrower and the lender are best served where private banking relations are held.

From the standpoint of the people in the business, we believe that the business would be more profitable and generally more satisfactory.

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JOHN P. FROST

Frost, Read & Simons, Charleston, S. C.

I can see no good reason for forcing competitive bidding legally except in industries where a monopoly exists, such as with public utilities and railroads. With private corporations financial arrangements should be entirely at the disposal of the owners of the property.

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ELWOOD H. SCHNEIDER

E. H. Schneider & Co., Kalamazoo, Mich.

To my way of thinking competitive bidding on industrial issues would be the last straw in ruining the retail securities business.

As you know, there are thousands of small dealers like ourselves scattered throughout the United States, doing almost entirely a retail individual business. The great majority are conscientious and want to do a good job for their customers. We want to have contacts with the big underwriting houses so we will have continual supply of securities to offer.

Since competitive bidding has come into the picture, the margins of profit on public utility and railroad securities have been reduced to a point where it is almost impossible for us to handle these securities. Like everyone else, we have experienced the calling of most of our good utility and railroad bonds, and it goes without saying that we cannot handle the new issues at ½ of 1%, or even ¾ of 1%, selling commission where we are handling one or two bonds at a time. Even without competitive bidding, the margins presently existing on high-grade corporate bonds and preferreds are too narrow to permit us to make a reasonable profit.

I know there are lots of arguments for competitive bidding, but I also know that as a result of competitive bidding, the investing public has been virtually denied an opportunity to buy the securities that are being offered under these conditions. I believe that competitive bidding is proper and healthy in the case of municipal bonds and probably also in the case of railroad equipment trust certificates. Beyond that, I believe that established banking relationships is still the best means of doing all corporate financing.

If you took a poll of all of the people in the securities business and the well-posted investors, I am sure you would find an overwhelming majority of this opinion.

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MARCUS GOODBODY

Goodbody & Co., New York City

I am definitely against competitive bidding, because it seems to me that when it is possible to get various bids for any issue competitive bidding usually means that the price bid is higher than it might be on negotiated bidding, and I think the fact that the public will have to pay a higher price is more detrimental than the possibility that the issuing company might fare a little better in competitive bidding than in negotiated bidding. When you consider that in bad times when issuing companies really have to raise capital, if you have competitive bidding you in all probability would almost have an impossible situation, as the securities which are bought would not just sell themselves, but would have to be sold by investment bankers who got together groups for bidding of any sort, and would have to back away from the supplying of new capital.

Competitive bidding when it really works makes the public pay higher, and I think the public needs to be more protected than the companies who have to raise the capital.

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A CINCINNATI DEALER

In our opinion there is absolutely no excuse for forcing such action, and we believe it to be unconstitutional. We have been advancing steadily towards a form of Fascism and unless it is stopped now we see no hope for democracy.

Hervey L. Russell in Nantucket for July

Hervey L. Russell of Ten Park Avenue, dealer in tax exempt issues, is spending the month of July in Nantucket. Since early 1943 Mr. Russell has not been active in securities, as during that year he served the War Department as Contract Renegotiator. Following his resignation from the War Department, attorneys and war contractors prevailed upon Mr. Russell to counsel them with their renegotiation problems. Serving as a Renegotiations Consultant since January 1, 1944, Mr. Russell has achieved the remarkable record of satisfactorily settling every case that has passed through his office with bilateral agreements. Incredible as it might seem—this record merely duplicates Mr. Russell's experience with the Government, when no case in which he participated was ever appealed. Because the Renegotiations Act has been extended through December 31, 1945, Mr. Russell will continue to devote most of his time to renegotiations—until about July, 1946. In the meantime he is always pleased to hear from his friends "in the Street."

Chicago Brevities

Long expected in financial quarters, the initial step in refinancing both classes of Cudahy preferred was taken last week when directors of the company announced a special meeting of stockholders of the Cudahy Packing Company would be called for the middle of August to vote on the creation of a new $100 par preferred issue of 100,000 shares.

If the new issue is approved, present preferred stockholders will have the opportunity of exchanging their holdings for the new preferred on a basis not yet announced. It is believed, however, that the exchange will be on a share for share basis with possibly some difference in treatment of the 7% preferred stockholders.

It is likewise believed that the dividend rate the new preferred will carry will be somewhere between 5 and 4%, although this is yet to be determined.

Cudahy has 65,505 shares of 7% $100 par cumulative preferred and 20,000 shares of 6% $100 par cumulative preferred outstanding. The former is redeemable at $105 a share; the latter at par, plus accrued dividends. The next redemption date for both classes of stock is Nov. 1. On this date, an aggregate of $8,878,025 will be required for redemption, excluding dividend accruals of $3.50 a share on the 7% preferred and $3.00 a share on the 6% preferred stock.

A group of underwriters headed by Goldman, Sachs & Co. is expected to handle the financing. New shares not needed for exchange purposes as well as those not taken in exchange would be purchased by the group.

Pressed Steel Car Company's Hegewisch plant is slated for conversion to the manufacture of household appliances, a proxy statement to stockholders disclosed last week.

At a special meeting called for Aug. 2, stockholders will vote on an amendment to the articles of incorporation to permit the company "to manufacture, buy, sell and deal in household appliances and equipment, heating equipment, air conditioning equipment, refrigerating equipment, and all other articles of commerce of a similar or cognate nature."

The Hegewisch plant, which represents approximately 43% of the corporation's total manufacturing space, was idle from December 1937 to the latter part of 1940 when it went into production of tanks and self propelled gun charges. Now that tank production has ceased, only 18% of the plant's production space remains in use.

Approximately $750,000 will be required to convert the plant to the manufacture of household appliances. Additional capital expenditures may be required, it was stated, should the corporation decide to enter other fields as well, indicating that a further diversification of its products may be in the offing.

Pressed Steel Car has for some time been planning the post-war use of its previously idle Hegewisch plant. Production on the new line of products is expected to start immediately following stockholders' approval of the amendment.

Admiral Corporation, which recently increased the amount of its authorized capital stock, will market refrigerators for the first time in the post-war period. The company acquired the patents of the Stewart-Warner Corporation and was alone among manufacturers not previously engaged in the manufacture of refrigerators to be granted additional priorities assistance for third quarter production, last week, by the War Production Board. It will receive priority assistance on 7,952 refrigerators.

Consumers Company has called all its outstanding first mortgage bonds as of July 31 at 102½ plus accrued interest. Funds for the redemption will be provided out of current cash.

The Chicago Stock Exchange reported a profit from its operations for the first time since 1937 in its annual statement for the year ended April 30. Net income for the fiscal year just ended amounted to $4,012 compared with a deficit of $35,554 the year before.

Membership rose to 113 partnerships and 24 corporations, the largest number since 1931. These also represented the widest geographic distribution attained since 1930. Volume of trading for the year was the highest since 1938.

Illinois Personnels

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Hilda B. Miller** has become associated with **Bear, Stearns & Co.,** 135 South La Salle Street. Miss Miller was previously in the trading department of Strauss Bros. Prior thereto she was with Thomson & McKinnon and Shields & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Anthony B. Hurfgen,** previously with **F. H. Armstrong & Co., Inc.,** has joined the staff of **Brailsford & Co.,** 208 South La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Paul S. Miles** is with **Harris, Upham & Co.,** 135 South La Salle Street. In the past Mr. Miles was with Central Republic Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Joseph A. Rein** has become affiliated with **Wayne Hummer & Co.,** 105 West Adams Street. Mr. Rein was recently with the U. S. Army Air Forces.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Howard A. Moses** is connected with **Norman Mesirow,** 135 South La Salle Street. Mr. Moses has recently been with the Army Air Forces. In the past he was in business in Chicago as a floor broker on the Chicago Stock Exchange.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**David W. Moffat,** previously with Shields & Co., has become associated with **L. F. Rothschild & Co.,** 231 South La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Louis C. Roberts** has joined the staff of **Webber-Simpson & Co.,** 208 South La Salle Street. Formerly he was with C. L. Schmidt & Co.

(Special to The Financial Chronicle)

PEORIA, ILL.—**Harold M. Roe** has been added to the staff of **George A. Eckley,** 524 Indiana Avenue. He was previously with Negley, Jens & Rowe.

Siler & Company Is Formed in Detroit

DETROIT, MICH.—J. William Siler has withdrawn from partnership in Siler, Roose & Co., and has formed Siler & Company with offices in the Penobscot Building, as successors to the firm's investment business in Detroit.

Wertheim & Co. Group Offers Bristol-Myers Pfd.

Public offering of a new issue of 75,000 shares ($7,500,000) of 3¾% cumulative preferred stock (par $100) of Bristol-Myers Co., proprietary drug manufacturer, was announced July 11 by a banking group headed by Wertheim & Co. The shares are priced at $104.50 and accrued dividends from July 15, 1945.

Net proceeds from this financing will be added to the working capital of the company.

The outstanding capitalization of Bristol-Myers Co., after giving effect to the present offering of preferred stock, will consist only of the preferred shares and 690,594 shares of $5 par common stock. There is no funded debt.

Roose & Company Is Formed in Toledo

TOLEDO, OHIO—The firm of Siler, Roose & Company, with offices in the Toledo Trust Building, has been dissolved, and Roose & Company has been formed to continue the firm's investment business. Partners of the new organization are George A. Roose, Erwin J. Ward & Edward F. Heydinger.

Edwards Co. Officers

PORTSMOUTH, OHIO—George W. Edwards and Daisy D. Edwards are officers of Edwards and Company, Inc., National Bank Building. N. Glenn Edwards is president of the firm.

Broker-Dealer Personnel Items

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

NEW YORK, N. Y.—**Eugene P. Brady** has rejoined **Lehman Brothers**, 1 William Street. For the past three years he has been serving in the U. S. Marine Corps.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Lawrence C. Stiver** has rejoined the staff of **Bache & Co.**, National City Bank Building. Mr. Stiver has recently been serving with the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**Julian S. Weil** has become associated with **Hirsch & Co.**, Union Commerce Building. Mr. Weil was formerly with Goodbody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**John M. McCabe** is now with **McDonald & Co.**, Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, FLA.—**Eugene L. Ward** has become connected with **Daniel F. Rice & Co.**, Ingraham Building, Miami, Fla. Mr. Ward was previously Ft. Lauderdale manager for Cohu & Torrey.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — **Herbert N. Crowder**, formerly local manager for Gordon Graves & Co., has become affiliated with **Municipal Bond & Finance Co.**, Congress Building.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Anna J. Walton** has been added to the staff of **Gordon Graves & Co.**, Shoreland Arcade Building.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**William E. Speakes** is with **Slayton & Co.**, 111 North Fourth Street.

Spencer Trask Opens Office in Chicago

CHICAGO, ILL.—Spencer Trask & Co., members of the New York Stock Exchange, have announced that Edwin J. Moelmann has become associated with them and will open a sales headquarters in Chicago at 135 South La Salle Street.

Livezey and McFarlane Join R. F. McMaster Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Henry D. Livezey and Laurence B. McFarlane have become associated with Robert F. McMaster & Co., 135 South La Salle Street. Mr. Livezey, who has recently been with N. B. C., in the past was with Olin, Emery & Company. Mr. McFarlane was with McMaster Hutchinson & Co.

Harmon Rejoins Shields

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Robert R. Harmon has rejoined the staff of Shields & Company, 135 South La Salle Street. Mr. Harmon has recently been with the U. S. Navy.

Ray A. van Clief Dead

Ray A. van Clief, member of the New York Stock Exchange, died on June 28th. Mr. van Clief conducted his business from offices in Richmond, Virginia.

Coleman Co. Preferred And Common Offered

Goldman, Sachs & Co., Paul H. Davis & Co., and Stern Brothers & Co. on July 10 made a public offering of preferred and common stock of The Coleman Co., Inc. The offering includes 30,400 shares of 4¼% cumulative preferred stock ($50 par), at $51.50 per share and accrued dividends and 23,692 shares of ($5 par) common stock at $17 per share. Of the shares offered all but 20,000 shares of preferred are issued and outstanding and are being sold for the account of certain stockholders.

The company is to pay as a sinking fund on the preferred stock, for each year after 1948, an amount equal to 7% of its consolidated net earnings for the previous year applicable to the common stock, but not more than the amount needed to redeem 4% of the preferred shares issued prior to the close of the previous year.

The company has no funded debt, and annual dividends on the 40,000 shares of preferred stock to be outstanding, after giving effect to the issuance and sale of the 20,000 shares of preferred, will amount to $85,000.

Dillon, Read Group Offers Colgate-Palmolive Pref.

An investment banking group headed by Dillon, Read & Co., Inc., on July 11 made a public offering at $100 a share and accrued dividends of 46,464 shares of Colgate-Palmolive-Peet Co. $3.50 preferred stock. The shares being offered are the portion of a total issue of 125,000 shares of $3.50 preferred stock which was not taken in exchange by the holders of the company's $4.25 preferred stock under an exchange offer which expired July 10.

Proceeds of the sale will be applied together with treasury funds to the redemption at $101 per share of all unexchanged shares of the $4.25 preferred.

The new preferred stock is subject to redemption at $102.50 per share on or before June 30, 1949, at $101.50 per share thereafter and on or before June 30, 1950, and at $100 per share thereafter.

Wisconsin Brevities

Macwhyte Company of Kenosha, Wis., on June 20, filed a registration statement with the SEC 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. Of net proceeds company will apply $416,350 to redemption on Nov. 1, 1945, of entire outstanding 8% cumulative preferred stock, the balance of proceeds will be added to funds and employed toward replacement of machinery and equipment in plant as new machinery and equipment becomes available. Central Republic Co., Inc., is named principal underwriter.

Waukesha Motor Co. for the nine months ended April 30, 1945, reports a net profit after charges and taxes of $446,250, equivalent to $1.16 a share on the 400,000 capital shares outstanding, compared with $595,789 or $1.49 a share for the corresponding period of 1944. For the three months ended April 30, 1945, net profit was $74,634 or 19 cents per share, compared with $198,813 or 50 cents per share for like period in 1944.

The Nekoosa Edwards Paper Co. as of March 31, 1945, reports current assets of $5,080,784 and current liabilities of $1,415,534, a ratio of 3.59; cash amounted to $730,666 and quick assets, $1,778,-368. The ratio of current assets to total debt was 1.33 and total assets footed up $13,570,294.

Interest coupons which matured Jan. 1, 1939, and July 1, 1939, on the Wisconsin Central Ry. first general mortgage 50-year 4s were paid June 29 at the Bank of Montreal, 64 Wall St., New York 5, N. Y.

Prosperity by Spending

(Continued from page 187)

State, however, is different, as its power to tax and to issue money is well-nigh unlimited, and it can, if necessary, repudiate its obligations in one way or another. It can, therfore create and maintain for some time a sort of prosperity by mere spending, whether for leaf-raking, the building of pyramids, or the purposes of war.

As everybody knows, or should know, our Federal Government is now spending at the rate of a 100 billion dollars a year, a tremendous amount as compared with an expenditure of 7½ billions in the fiscal year 1938, and less than one little billion in 1916. So now we are enjoying the spender's prosperity and hope it will prove to be real and permanent. At any rate, our resources of land, labor and capital are more fully employed or utilized than ever before; our gross product of goods and services is enormous; and our net national money income is more than twice what it was when the second World War began.

By way of amplifying these statements it may be noted that in September, 1939, about 46,000,-000 persons were "gainfully employed" and more than 9,000,000 unemployed in these United States; whereas, in September, 1944, about 52,250,000 civilians were employed and less than 800,-000 unemployed. Strange that we have achieved so much with a labor force barely 6,000,000 greater than that of 1939! But the increase in overtime and efficiency of labor and management, together with the fuller utilization of plant capacity, may largely explain the extraordinary results.

Certainly, the business world has been humming with activity. Our farms, considering the manpower available, have been fully utilized; the surpluses of previous years have been largely liquidated; and the physical volume of farm marketings has increased, since 1939, by almost 40%. The output of our mines, too, has increased about as much.

Our factories were never so busy, as shown by the Federal Reserve index of industrial production, which, from 1939 to December, 1944, had risen by about 130%. Our merchants, also, have been doing well, as indicated by the record of department store sales, which have increased in value, though not in volume, by about 90%. Our transport facilities, too, have been taxed to the utmost, as shown by the figures of freight car loadings, which have increased by about 40%.

Another index of prosperity is the national money income, which has more than doubled — from about $70,000,000,000 in 1939 to $160,000,000,000 in 1944. As the national income is the sum of individual money incomes, it is interesting to see how it has been distributed among the classes or groups of persons contributing to the creation of it, as shown by the figures for 1939 and 1944.

NATIONAL INCOME BY DISTRIBUTIVE SHARES
(Millions of Dollars)

Type of Share—	1939	Per Cent of Total Income	1944	Per Cent of Total Income
Total national income	70,829		160,700	
Total compensation of employees	48,075	67.9	116,000	72.5
Salaries and wages	44,236	62.4	112,800	70.5
Supplements	3,839	5.4	3,200	2.0
Net income of proprietors	11,151	15.7	24,100	15.0
Agricultural	4,291	6.06	11,800	7.3
Nonagricultural	6,860	9.7	12,300	7.6
Interest and net rents	7,375	10.3	10,600	6.6
Net corporate profits	4,228	5.9	9,900	6.1
Dividends	3,806	5.3	4,500	2.8
Corporate savings	422	0.59	5,400	3.3

Socialists used to say that for every dollar going to labor another dollar goes to capital, but these figures clearly show the falsity of such a statement. In the year 1939 the total compensation of employees in wages and salaries was $48,075,000,000, or 67.9% of the national income, but in 1944 it amounted to $116,000,000,000, or 72.5% of that year's income. Employees, therefore, have gained both absolutely and relatively since the war began.

Labor Got 80%

Wages and salaries, of course, are not the whole of labor income, inasmuch as most, if not all, "proprietors"—farmers, shopkeepers, small manufacturers, garage owners, and the rest—are workers as well as small capitalists. If, therefore, we guess that at least half of their revenue is labor income, and add that to the sum of wages and salaries, we find that labor income in 1944 must have been not less than $128,000,000,-000, or about 80% of the national income, leaving about $32,000,000,-000, or 20% of the whole, to the owners of property as such. Evidently, then, the recipients of labor income are getting the lion's share of the national income.

The fact that the total compensation of employees has increased by 162% is something of a puzzle, but it may be partially explained in two ways. In the first place, the total number of employees, including the armed forces, increased from about 46,000,000 in 1939 to 64,000,000 in 1944, and their wages, salaries, and "pay" are included in the totals. Average compensation, of course, has not increased to any such extent.

In the second place, the wages of many workers, for time and overtime, have increased from 60 to 100%. For example, the yearly wages of miners increased from $1,368 in 1939 to $2,178 in 1943; textile and leather workers from $992 to $1,627; metal workers and machinists from $1,587 to $2,754; construction workers from $1,315 to $2,656.

Individual Savings

If now we ask how the national income of $160,000,000,000 was spent in the year 1944 we find that, after making deduction of taxes, corporate savings, and a few minor items, there was left to individuals a "disposable income" of $137,500,000,000, as compared with $67,700,000,000 in the year 1939. Out of this disposable income the recipients spent as consumers about $97,600,000,000, and had left as net savings the enormous and unprecedented sum of $39,900,000,000. Not only so, but when to this we add the savings of the four preceding years, we are astonished to see that the net savings of individuals during the years 1940 to 1944, inclusive, amounted to the gigantic sum of $113,000,000,000.

Evidently, then, the vast expenditure of public funds since the World War began has brought about the "full employment" or utilization of our resources—land, labor, and capital. To use a favorite expression of Adam Smith, it has "set them in motion," and in response to that powerful stimulant we have built factories, railways, merchant vessels, warships, camps, and cities; we have manufactured vast quantities of guns and ammunition; we have mobilized and equipped millions of soldiers and sent them all over the world; we have aided our Allies in numberless ways; and we have rendered many unusual personal services at home and abroad.

While all this has been achieved by the combined power of natural resources, labor, capital, and management, business has been booming; the national money income has more than doubled; we have enjoyed as consumers all of the necessaries of life and many comforts and luxuries; and we have saved billions of dollars for future spending and investment. It looks, therefore, as though, by the magic of money, we had lifted ourselves by the bootstraps.

The "Shady Side"

But there is a shady side to all of this and some ominous clouds on the horizon, as indicated by the following considerations:

1. The spending of billions of borrowed money, especially the new money borrowed from the banks, has created a strong drift toward inflation, the full effects of which have been somewhat counteracted by taxation, price control, and other governmental measures. But in spite of such efforts to sweep back the tide, retail prices have risen by 39%; the wages of millions of workers have soared; money savings have multiplied; there has been a boom in stocks and land values; and the national money income has increased by 130%. To a large extent, therefore, we are enjoying an illusory paper prosperity, a fools' paradise, and there is grave danger that, when the controls are relaxed after the war, there will be still more inflation and consequent hardship to people whose incomes will have increased less than the cost of living. Not only so, but after inflation deflation is likely to come, with ruin in its train.

2. It should be noted, too, that our present prosperity is not enjoyed by all our fellow-citizens. Millions of them, no doubt, are living better than ever before; but other millions, mostly white-collar workers, find it harder than ever to make ends meet and keep the wolf from the door. In these four years the cost of living has risen by 27%, and is still rising, but the salary-wages of employees in retail trade have increased on the average by only 28%; State and local Government employees, including teachers, by 14%; Federal employees 13%; and bank clerks 7%. Many of these persons, of course, have incomes above the average and their condition may be tolerable, but the case of those below the average must be well-nigh intolerable.

An Inflated Market

3. Although it is true that in the year 1944 we spent as consumers no less than $97,600,000,000, that money was spent in an inflated market, so that we received in goods and services not more than we could have had by spending $74,400,000,000 in the year 1939. Moreover, when we allow for certain defects in the index numbers, deterioration in the quality of goods and services, scarcity or complete absence of inexpensive goods, stinting of civilians for the sake of the armed forces, and black market operations, we may safely guess that the buying power of $97,600,000,000 in 1944 was not vastly greater than that of the $61,700,000,000 which consumers spent in the year 1939. Of course, on account of the change in the distribution of income millions of our fellow-citizens have had much more buying power than they had before the war, and other millions have had much less.

4. A somewhat similar situation obtains with respect to the enormous private savings which have come from the difference between the disposable income of individuals and their expenditure as consumers on goods and services. As we have seen, net savings of individuals in the year 1944 amounted to $39,900,000,000, and those of the years 1940 to 1944, inclusive, to the enormous sum of $113,000,-000,000. Adding to this the unspent portion of gross savings, we find that, as stated in the "Survey of Current Business" for February, 1945, "by the end of the year, individuals had in their possession a volume of liquid assets—cash and U. S. Government securities—aggregating close to 150 billion dollars."

In view of such a volume of buying power, we might think that the nation as a whole had accumulated with one hand a vast store of real, tangible wealth, while with the other it had been casting far more into the maw of war. But such was not the case. From that 150 billions of financial savings must first be subtracted at least a quarter because of the rise in prices and the corresponding fall in the buying power of the dollar. Then, too, one should allow for future inflation and a further fall in the value of the dollar—to what extent no one knows.

Only Claims to Goods

It should also be noted that monetary savings are not real, tangible wealth, but only claims to goods and services which may or may not be used in wealth-creating ways. They are most elusive and inconstant. In time of inflation they multiply, but their value falls, and when collapse and depression comes they melt away and vanish as though they never were. Reminding one of the pathetic song: "I have so loved thee, but cannot, cannot hold thee."

When we try to discover the items of real income yielding wealth which have been created since the World War began we find mention of about $50,000,000,-000 worth of "private gross capital formation" which, we may guess, consists largely of buildings, ships, equipment, and other capital goods created for the purposes of war, and which, after the war, may be worth but a fraction of their cost.

Moreover, during these years of war, we have been living on our fat, like bears in winter, by depletion of our natural resources, depreciation of capital goods, and using up stocks of raw materials, partly finished, and finished products. Wherefore, apart from the loss of human life and energy, our real net savings, as distinguished from financial savings, seem to have well-nigh vanished, if, indeed, they have not sunk below zero and become a net loss of real national income.

5. The vast sums which have been spent by the Federal Government since the World War began have been derived largely from taxation but still more from loans, involving enormous yearly deficits and a tremendous national debt which, in December, 1944, amounted to $230,000,000,000. This, to be sure, was the gross debt, from which must be deducted certain realizable assets, leaving a net debt of about $185,000,000,-000. However, as the deficit is growing by about $50,000,000,000 a year, one may guess that the net national debt will not be far from $300,000,000,000 by the end of the war and that the annual interest payments will be something like $6,000,000,000.

Paying the Price

6. After the war the Federal budget must provide for these and other annual payments of many billions: for ordinary expenses, the standing armed forces, soldiers' bonuses and pensions, direct relief of the unemployed, aid to foreign countries, public works, and what not. The sum total of these expenditures, without allowing for any payment on the principal of the public debt, may be as much as $25,000,000,000. This is not terrifying, as compared with the expenditure of $93,000,-000,000 in the fiscal year ending June 30, 1944, but it will be a sixth of the national income if that income be not less than $150,000,000,000. But if, as seems likely, the national income should fall below that figure, the taxpay-

ers will have to pay to the Federal Government a still larger part of their income, and State and local taxes as well. No wonder that our financial fathers are concerned about the future national income and are racking their brains to find ways of keeping it up. But how can that be done without continued spending, or other means of sustaining inflation and avoiding deflation?

7. Inasmuch as most people would prefer inflation to deflation if they had to choose between the devil and the deep sea, there is likely to be after the war a strong popular movement toward further spending on a grand scale, with the usual results of mounting debt, increasing taxation, and inflation, to be followed, sooner or later, by deflation and depression. In fact, the movement is already under way and has received encouragement from some reputable economists, including Lord Keynes and Professor Alvin Hansen, and has been ardently promoted by some less reputable writers and speakers.

When War Spending Ends

Without question, most of our wartime spending has been necessary for the winning of the war, but what shall we say of post-war spending? What will happen when the federal budget is reduced from $100,000,000,000 to a mere $25,000,000,000? It will mean deflation, depression, and unemployment unless private spending and investment come to the rescue. But if that be too little or too late our government bodies, federal, state, and local, will surely take action. What will they do? Will they carry on farming, mining, manufacturing, and merchandising, and sell the products on the open market? Surely not, for that would take the heart out of private enterprise and delay reconversion and recovery. Less radical measures, then, seem to be indicated, but what do the doctors recommend?

The Prescription

The most prominent and popular doctors at the present time are the gentlemen just mentioned and their panacea for preventing or mitigating a post-war depression is continuation of expenditure by an extensive program of public works. In this connection many more or less meritorious projects have been suggested. Roads and bridges loom large in the program, and housing and reconstruction of cities are running strong for first or second place. We hear much, too, of harbor improvements, navigation and flood control of rivers, development of water-power, canals, irrigation of dry lands, drainage of wet lands, soil conservation, parks, playgrounds, and what not.

When we ask how much is to be spent in these ways the answer seems to be that, unless private citizens spend enough to achieve full employment and maintain a national income of some 140 or 150 billion dollars, the government should fill the gap, regardless of cost. Dr. Mordecai Ezekiel has suggested five to ten billion dollars a year; Professor Hansen mentions ten to fifteen billion; and Professor Benjamin Higgins goes so far as to propose the spending of 25 to 50 billion dollars a year in the early post-war period.

Are They Feasible?

At first blush such plans for the lavish expenditure of borrowed money look so plausible and feasible and appeal so strongly to certain social reformers, business interests, promoters, and politicians, that they may command general approval and be put through, regardless of their merits. Wherefore, it may be well for all concerned to look the gift horse in the mouth and consider some weak features of these projects which might make them fail of the desired results.

For example, extensive public works cannot be undertaken without much previous planning, nor can they be started quickly in time of emergency, nor quickly slowed down or stopped when the emergency is over. They are therefore not well suited to the relief of a cyclical depression.

Again, the decisions concerning the sort of works to be undertaken and the expenditure involved are not likely to be left to an all-wise planning board, but will probably be settled by the usual political log-rolling and scramble for the pork-barrel with the result that many unnecessary projects will be approved and there will be much waste in their construction.

Then, too, such a vast amount of construction will increase the costs of raw materials and the wages of labor, or at least keep them too rigid at the very time when they should decline somewhat in order to encourage private business to assume the risks of enterprise and produce more and better food, clothing, shelter, and other things more urgently needed than most of the proposed public works. Not only so, but the creation of extensive public works in every part of the country will interfere with the mobility of labor and capital and thus delay readjustment and recovery.

Still another objection to lavish expenditure on public works is that most of them will not be self-liquidating, as successful business undertakings are. On the contrary, they will involve the government in continual expense for maintenance and replacement.

Finally, if public works are to play an important part in post-war recovery, the cost will be so great that the states and the local governmental bodies will be unable or unwilling to stand for any considerable part of it. They will lie down on the job and the Federal Government will have to pay the piper. But where will it get the money? Not from the taxpayers, who will have all they can do to provide the expected post-war budget of $25,000,000,000. The billions needed, therefore, must come from borrowing, and the federal debt must go on growing year by year until deficit financing shall be no longer necessary.

Opposite Results

But if the Federal Government is to cut the budget from $100,000,000,000 to $25,000,000,000 after the war, the expenditure of an additional fifteen billions will be sadly inadequate unless private business can be induced to resume and carry on. Therefore, if public works are the panacea and the only refuge from dire deflation, Professor Higgins may be right in saying that an expenditure of twenty-five or even fifty billion dollars may be needed to bridge the chasm and carry us over to the green pastures of private enterprise. But such lavish expenditure of borrowed money in time of peace would probably discourage private enterprise and have results the very opposite of those intended. It looks, therefore, like a counsel of despair and a long step toward socialism.

The advocates of continued deficit financing are forced by the logic of their fallacies to minimize the burden of our public debt as being, forsooth, an internal debt which we owe to ourselves. Thus Professor Hansen and Mr. Greer, writing in "Fortune," naively say: "It should scarcely be called a debt at all. . . . . The government **simply** sells its bonds to those who have money to lend, but its distribution is postponed. . . . Taxes will be collected to service the bonds and when interest or principal payments are made on them the money is **merely** shifted about within the economic system." The bold face is mine.

True and False

The foregoing statement is both true and false. It is true that the burden of debt is borne at the time it is incurred by the subscribers to the bonds and not by the nation as a whole, and that future payments of interest and principal are **merely** transferred from one set of persons to another within the economic system. This is the half-truth so glibly stated by our distinguished economists.

But as to the individuals of whom the nation is composed the statement is false. When the time for payment comes, whether of interest or principal, all of the taxpayers are **merely** mulcted and those who have subscribed little or nothing now bear a share of the burden, while the bondholders are reimbursed by the payments in question. Evidently, therefore, those who say that no burden is borne are guilty of what logicians call the fallacy of composition and division.

Of course, if our bondholders and taxpayers were the same persons and paid taxes in exact proportion to their holdings, they alone would bear the burden at the time of subscription and be paid later by a transfer of money from one pocket to another. In that case they might as well have paid the same amount in taxes instead of buying worthless bonds.

But inasmuch as most of the bonds will be held by the banks and the relatively rich, while the relatively poor and many business people will be paying some of the taxes, there will be danger of a class conflict between taxpayers as such and bondholders as such, and a popular demand for a drastic reduction in the rate of interest, if not for complete repudiation of both interest and principal. In fact, some of the advocates of deficit financing are already encouraging that very thing and calmly contemplating what their chief prophet, Lord Keynes, has called "the euthanasia of the rentiers"—the painless extinction of the receivers of rent and interest.

When, therefore, we see that our national debt is likely to reach the astronomical height of $300,000,000,000 by the end of the war, and contemplate the annual augmentation of that debt by ten or fifteen or twenty-five billion dollars for public works, how can we escape the conclusion of Professor W. I. King, who has said that our national debt is bound to be repudiated in one or more of four ways: straightforward repudiation, taxing the bondholders, lowering the interest rates, or inflation.

A Partial Substitute

It looks, then, as though our extensive program of deficit financing for public works to take the place of wartime spending would probably fail of the desired results and might do more harm than good. But that is not to say that a moderate expenditure of that sort would not help, with other palliatives, to cushion the shock and tide over the time of transition.

There will be, of course, a time of transition from wartime to peacetime economy, but, in view of the vast accumulation of savings in the form of cash, war bonds, and other liquid assets, and the plans of private concerns and governments, it is safe to guess that the transition and depression will be of short duration and that, before too long, dislocations will be adjusted, reconversion effected, and normal investment resumed in outlets old and new.

But meanwhile, the situation created by the demobilization of soldiers and the dismissal of war workers will doubtless be met by various palliatives, including liberal mustering-out payments and bonusues, schooling and vocational training, public employment exchanges, public works, non-construction public work, and, last but not least, direct relief of the unemployed.

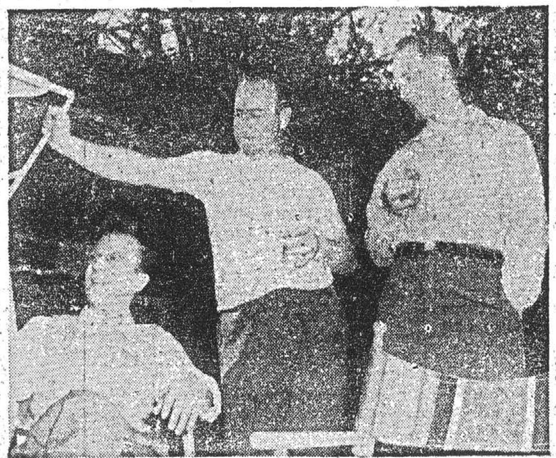
Direct Relief More Desirable

It is common to condemn direct relief off-hand by the invidious epithet of "dole," and to say that the taking of it undermines the self-respect and morale of the unemployed and often makes for pauperism and permanent unemployment. Yet almost as much could be said of the demoralizing effects of public works and other forms of public work as humiliating to the workers, encouraging inefficiency, and unduly delaying replacement in normal occupations. The question is debatable, but I will guess that the judicious expenditure of $10,000,000,000 in direct relief would carry more people over the transition and more effectively than the same amount spent on public works.

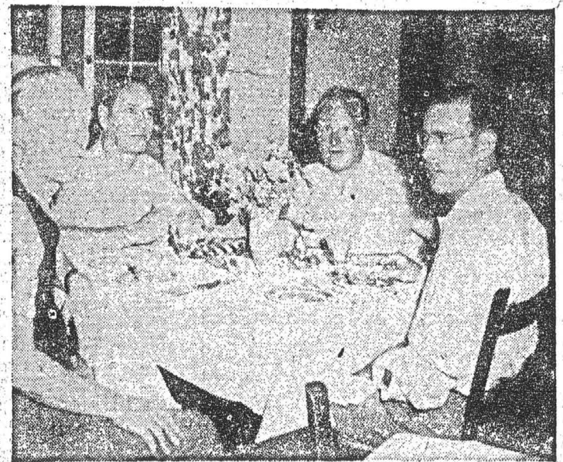
However that may be, it is well to remember that under the present economic order we cannot have employment without employers. None of the palliatives, therefore, will bring about permanent prosperity without such harmonious cooperation of employers, employees, and governments as shall create and establish a favorable climate in which private enterprise may flourish and high, if not full, employment of all our resources be achieved.

Security Traders Association of Los Angeles Annual Spring Outing

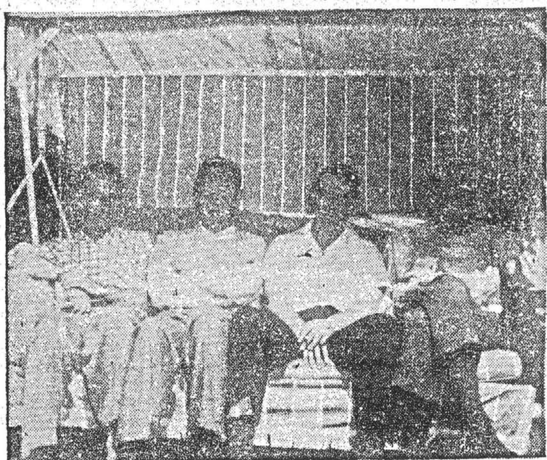
Jack Alexander, *Pledger & Co.*—A. S. McOmber, *Revel Miller & Co.*—Herbert C. Irish, *Fairman & Co.*—Thomas J. Euper, *Nelson Douglass & Co.*



Wm. W. Dorroh, *Blyth & Co., Inc.*—Tony Bottari, *Sutro & Co.*, San Francisco—Collins L. Macrae, *Wulff, Hansen & Co.*, San Francisco.



John C. Hecht, *Butler Huff & Co.*—Milton J. Isaacs, *Straus & Blosser*, Chicago—John F. Egan, *First Calif. Corp.*—Robert D. Diehl, *Wm. R. Staats Co.*



A. M. Peterson, *Wants & Offerings*—Edwin R. Foley, *Kaiser & Co.*, San Francisco—Clifford E. Poindexter, *Turner-Poindexter & Co.*—Frank J. Ward, *Merrill Lynch, Pierce, Fenner & Beane.*

William L. Wright, *Lester & Co*—Walter F. Schag, *First Calif. Corp.*, San Francisco—Harold F. Beale, *Lester & Co.*—Miles A. Sharkey, *Stern, Frank & Meyer.*

Scott Stout, *First Calif. Corp.*—Gordon Scherck, *Scherck-Richter Co.*, St. Louis—Ernest E. Blum, *Brush, Slocumb & Co.*, San Francisco—Ken Donald, *First Calif. Corp.*—Warren Hansen, *First Calif. Corp.*

Roy C. Warnes, *Hill, Richards & Co.*—Nicholas P. Kirwin, *Dean Witter & Co.*—John C. Egan, *First Calif. Corp.*

Collins L. Macrae, *Wulff, Hansen & Co.*, San Francisco —Richard O'Neil, *Fairman & Co.*—Raymond J. Hefner, *Cruttenden & Co.*, Los Angeles.

Tony Bottari, *Sutro & Co.*, San Francisco—Donald E. Summerell, *Wagenseller & Durst*—Richard O'Neil, *Fairman & Co.*—Lawrence S. Pulliam, *Weeden & Co.*

Wm. W. Dorroh, *Blyth & Co.*—Clifford L. Hey, *Nelson Douglass & Co.*, Pres. Sec. Traders Assoc. L. A.

F. Thomas Kemp, *Thos. Kemp & Co.*—Carl M. Purcell, *Barbour, Smith & Co.*—Guest.

Harry Cottingham, *Dean Witter & Co.*—F. A. Baker, Jr., *Dean Witter & Co.*, San Francisco — Robt. F. Boedeker, *Blyth & Co.*

Municipal News & Notes

One-third of 1,072 cities of more tnan 10,000 population in the United States are suburbs.

Twenty-five per cent of the communities are manufacturing cities.

And one of every six of the cities are "dormitory" cities, with most of their residents working elsewhere.

This is revealed in a recent study of major economic functions of cities by the International City Managers Association. The study was made to increase the validity of intercity comparisons of operating statistics and services through comparisons of cities of similar characteristics.

Municipal problems vary from city to city because of different economic characteristics, and the validity of comparisons may be enhanced when they are based on such economic and social factors as population, economic base, rent levels, relation between number of people who work in the city and the number who live there, whether the city is an independent city (cities not in metropolitan districts), a central city in a metropolitan district, a suburb, etc., the Association said.

The three major factors considered in classifying cities were employment, occupations and residence. On this basis, cities were broken down into 11 types. Under "employment" cities, the following types were listed:

1. Manufacturing: 50% or more of labor force employed in manufacturing, trade and service establishments; employment in retail trade less than 30% of the whole. Typical City—Thomasville, N. C., with manufacturing percentage of 89%, trade ratio of less than 10%, service occupation ratio of 2%. One-fourth of all cities over 10,000 population in this class.

2. Industrial: dominance of more than 30%; 89 cities over 10,000 population in this class, with only seven of more than 100,000 population: Erie, Grand Rapids, Kansas City, Kan., Knoxville, Reading, Utica and Youngstown.

3. Wholesale trade: employment in wholesale trade totals at least 25% of aggregate employment in manufacturing, trade and service. No city over 50,000 population in this group. The 13 cities over 10,000 so classified: Anaheim, El Centro, Fullerton, Redlands, Riverside and Salinas, Calif.; Greenville, Rocky Mount and Wilson, N. C.; Fargo, N. D., Danville and Suffolk, Va.; and Wenatchee, Wash.

4. Retail trade: Number employed in retail trade greater than employment in any other category and employment in manufacturing less than 20%. Only five cities over 100,000 in this class: San Antonio, Oklahoma City, Salt Lake City, Tulsa and Wichita. Typical of 125 smaller cities in this group are trade centers for agricultural regions such as Ponca City, Okla., or for suburban dwellers, Belmont, Mass.

5. Diversified: two types—in one employment in manufacturing predominant but less than 50% of total, and retail trade second in importance; in the other retail trade predominant and employment in manufacturing between 20 and 50% of aggregate employment. In first group are 22 cities over 100,000, ranging down from New York and Chicago to Fort Wayne, Ind., Hartford, Conn., and Tacoma, Wash.

Five types of communities are classified under the general heading of "occupation." The types are:

1. Education center: Total enrollment of schools of collegiate rank equals 20% or more of city's population. University towns generally are small and single in function, such as Ames, Ia., Ann Arbor, Mich., and Columbia, Mo. Even such a large university as Harvard is only a small part of economy of Cambridge.

2. Government center: Where 15% or more of labor force employed by government. Most of the 19 cities so classified are state capitals, and only four—Washington, D. C., Norfolk, Sacramento and San Diego—have 100,000 or more population.

3. Mining: Where 15% or more of resident-labor force in mining. None of the 29 mining cities is over 100,000 in population.

4. Transportation center: Where 25% or more of population report transportation as occupation. Only 12 cities where this occupation clearly dominates city economy: Altoona and Galveston (in the 50-100,000 class), Council Bluffs, Ashtabula, Brainard, Minn., Cheyenne, Connellsville, Pa., Hornell, N. Y., North Platte, Nebr., Parsons, Kan., and Pocatello, Idaho.

5. Amusement or health resort: Manufacturing employment ratio less than 15%, and where more than 10% of residents employed in eating and drinking places, hotels and lodging places, and amusement, recreation and related services. The study lists 20 such places, with only Miami having population of more than 100,000. Some cities commonly identified as summer resort cities—including Albuquerque, Colorado Springs and Asheville—are classified as retail centers by the study.

The third city classification—the employment—residence city—lists only one type of community, the "dormitory" type, where less than 40% of the residents work in the city. A dormitory city is not necessarily without industry, however; for example, Maywood, Ill., a Chicago surburb, has an employment-residence ratio of only 21% but a manufacturing ratio of 49%. Three cities of more than 100,000 population are listed as domitory cities—Long Beach, Cal.; Somerville, Mass., and Yonkers, N. Y. Some 163 cities between 10,000 and 100,000 population are domitory cities.

Murray, Ky., Electric System Surpluses Used for Debt Slash

Murray, Ky., the first city in Kentucky to contract with the Tennessee Valley Authority for power with its own electric plant, recently celebrated its third anniversary of municipal ownership. According to the American Municipal Association, the city has paid $60,000 of its $200,000 bonded indebtedness and expects to pay an additional $30,000 this year. The plant has earned a surplus of $75,000 in the three years of operation with TVA power. Operating first with "interim" and then with "standard" TVA rates, the municipal plant has saved consumers approximately $95,000 in lower rates in the three years, with a 40% rate reduction.

North Carolina County Tax Rates Declining

North Carolina taxpayers in 1944 paid 26.5% less county taxes than they did in 1928, according to a survey by the publication "We the People" of Raleigh. County-wide taxes were 21.5% lower, and property valuation had been reduced by 7.29% to reach the figure.

The rate (weighted average) has gone from $1.25 to 93.6 and is steadily declining, largely because the State has taken over from counties the responsibility for financing public schools, highways, and prison care—an innovation unique in America.

In 1944, 28 of the State's 100 counties further reduced taxes. While 1944 figures are not available for the municipalities, their trend in recent years has matched that of the counties, it was said.

Florida Everglades Seen Fruitful Economic Empire

South Florida can make a major contribution toward smoothing the nation's transition from war to peace by putting its vast acreage into production and developing the Everglades on a sound financial, engineering, economic and social foundation.

That is the message contained in "The Everglades, Agro-Industrial Empire of the South." The book, latest in a series published by the United States Sugar Corporation, outlines the story of the 'Glades with its present and future possibilities, many of which already have been concretely illustrated by the accomplishments of the company.

"Private enterprise has already demonstrated the possibilities inherent in the Everglades. The record of the Corporation speaks for itself. The various projects point the way to expansion into a diversified, balanced, agro-industrial enterprise, producing high-grade foods, beverages, feeds and livestock; vegetable fats, fibers, oils and proteins, carbohydrates, cellulose and essential oils, and a number of organic chemicals and other products for industrial utilization and domestic consumption."

The book's thirteen chapters are illustrated with unusual drawings and photographs. They discuss the Everglades and the various operations of the United States Sugar Corp., there. The story of sugar is told from the time the cane is planted in the fields until it passes through the sugar house and is bagged for shipment to the refinery.

Manufacture of starch from sweet potatoes and other roots in the $7,000,000 starch house, now nearing completion, is described along with the water supply and waste disposal systems which are necessary for the huge operations. Other chapters depict the research work being done by the corporation, and such projects as the livestock and cattle feeding programs, along with descriptions of Clewiston and surrounding towns in the area.

At the end, diagramatic charts show the variety of vegetables that can be grown on Everglades truck farms, and the large number of products which can be produced from peanuts, roots and tubers, sugar cane, ramie and grasses.

It can now be said that "the present program for expansion and development in this vast, fertile 'last frontier' has progressed beyond the drawing board and becomes the fast-growing epic of a new agro-industrial empire in the making."

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Earnings assets, comprising loans and investments, of New York City member banks, were reported at a new high for the week ending July 3, 1945. They aggregated $23,230,000,000 compared with $20,717,000,000 one year ago. The following comparison is of interest:—

	July 5, 1944	July 3, 1945
Total loans	$5,049,000,000	$6,369,000,000
Treasury bills	1,136,000,000	401,000,000
Treasury certificates	3,966,000,000	3,091,000,000
Treasury notes	2,733,000,000	3,263,000,000
U. S. bonds	6,704,000,000	9,031,000,000
Fully guaranteed	187,000,000	1,000,000
	$14,726,000,000	$15,787,000,000
Other securities	942,000,000	1,074,000,000
Total loans and investments	$20,717,000,000	$23,230,000,000

Total earning assets are 12% higher than they were this time last year. Loans are 26% higher, while total Government obligations are 7.2% higher. The significant point with regard to Government obligations is that holdings of the low interest-bearing bills and certificates have declined, while holdings of the better yield Treasury Notes and U. S. Bonds are 19.5% and 35% higher respectively.

In view of this it is not surprising to find that earnings of New York City banks for the first six months of 1945 show improvement over earnings for the first half of 1944, and that the upward trend in their earnings is being maintained.

At this writing, statements of 10 banks only have been published and the following table shows their second quarter and six months' earnings for 1945, compared with the same periods in 1944. All show an increase in their half year figures, except United States Trust.

—NET EARNINGS PER SHARE—

	Second Quarter		—Six Months—		—BOOK VALUE—	
	1944	1945	1944	1944	6-30-1944	6-30-1945
Bank of Manhattan	$0.47	$0.72	$0.90	$1.25	$25.53	$29.45
Bank of New York	6.54	7.66	13.26	15.74	365.24	425.83
Central Hanover	1.50	1.50	2.80	3.00	99.95	105.96
Corn Exchange	0.98	1.21	1.92	2.40	50.07	52.09
First National	34.36	32.43	58.03	59.53	1,264.63	1,310.40
Guaranty Trust	4.99	5.47	11.18	11.72	328.95	330.42
Manufacturers Trust	1.31	1.80	2.31	2.79	43.05	46.39
New York Trust	1.71	1.91	3.41	3.79	86.90	90.65
Public National	*1.03	1.19	*1.94	2.27	*44.73	48.13
United States Trust	16.60	15.67	33.47	31.60	1,520.98	1,529.17

*After adjustment for 10% stock dividend in January 1945.

Book values continue to show substantial growth, as earnings in excess of dividend disbursements are credited to undivided profits.

Market-wise, New York City bank stocks have been a little sluggish this year, advancing to June 26 only 6.5%, as measured by the American Banker Index, compared with 10.9% by the Dow Jones Industrial Average. Since the market break on June 27, they have declined 2.5% and the Dow Jones Industrials 2.8%.

For the six month period ending July 30, Manufacturers Trust made the best market record, advancing 17.5%; it was followed by Chemical with 11.1%, Central Hanover with 9.4% and Bank of Manhattan with 8%. Irving Trust appreciated 6.5%; National City, 6.3% and New York Trust, 6.1%. Two stocks declined; Bankers Trust went off 2.8% and Chase 2.1%. There is little uniformity in bank stock performance.

Robert Diehl Joins Wm. R. Staats Co.

LOS ANGELES, CALIF.—Robert D. Diehl has become associated with Wm R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Diehl was formerly in the trading department of McDonald & Company in Cleveland. Prior thereto he was with Fahey, Clark & Co., and Mitchell, Herrick & Co.

Studies Ratio of Public Debt To Nation's Total Assets

Northwestern National Life Insurance Co. Calls for Economy, Thrift and High Productivity in Solving Post-War Economic Problems.

United States public debt now equals two-thirds of the value of the country's total assets, and will reach four-fifths of their value in another year—by June 30, 1946, according to a study by Northwestern National Life Insurance Company.

Our total public debt—Federal, State, and local—exceeds 265 billion dollars as of mid-1945 which equals 69% of our present total national wealth, estimated at 383 billion dollars, according to the study.

Total national wealth of the United States was appraised by various government and private business sources at from 360 to 400 billions of dollars in 1929, and at a little over 300 billion dollars in 1938. The total now figures somewhere between 375 and 400 billions of dollars, the insurance company statisticians estimate, with 383 billions as a fair, middle-of-the-road estimate of the present value of the total tangible assets of the United States. Variables involve the question of how large a depreciation allowance should be set up for post-war markdowns in surplus war equipment, war plants, and machinery, in surplus ships built during the war, and for depletion of our natural resources by terrific wartime drainage of iron ores, petroleum, timber, and other reserves.

Of our present 265 billion-dollar public debt, some 250 billions is Federal debt, and about 15 billions is State and local debt, the study says. By June 30, 1946, the Budget Bureau has estimated, Federal debt will reach 292 billions; cutbacks due to the ending of the European phase of the war will perhaps reduce that figure somewhat, but the State and local debt figure will bring the grand total close to 300 billion dollars, or four-fifths of our 383 billion dollars' worth of national resources.

Many individual Americans and many American businesses have been as heavily mortgaged in the past and have worked their way out to a sound prosperity and a solid financial position, the study points out. It adds, however, that the universal recipe for salvation has consisted of, first, a tremendous amount of hard work by all hands concerned; second, the elimination of every unnecessary and unproductive expense, and the reduction of necessary expenses to the lowest possible figures; third, the maintenance of income and production at the highest possible levels; fourth, reduction of the load of debt through regular pay-offs; and fifth, by the utmost efficiency of operation—in short, by the practice of all the principles of old-fashioned thrift. With similar industry, economy, efficiency, and teamplay by all Americans, in government and out of it, we have little to fear from the economic future, the study states.

We have greatly increased our production plant in recent years, the report acknowledges, and with high production and high income, a heavier burden of debt can be carried in proportion to assets. But it is vital to remember, the report adds, that our wartime "prosperity" has been based on tremendous borrowing against the future; that as a nation we have been living far beyond our income for many years; that the laws of arithmetic still hold good, and the old-fashioned American virtues of economy, thrift, and high productivity are our chief hopes in solving our post-war economic problems.

Principal classifications of our national assets and their estimated present values are: land and improvements, including mineral and timber resources, 184 billion dollars; live stock, 7.5 billion dollars; manufacturing machine tools and equipment, 34 billion dollars; other miscellaneous production assets, 8.5 billion dollars; public utilities, including railroads, 61 billion dollars; stocks of goods and materials in hands of producers, dealers and consumers, 66 billion dollars; gold and silver coins and bullion, 21.5 billion dollars.

Seeger-Sunbeam Corp. Common Stock Offered

F. Eberstadt & Co. and a group of associated underwriters on July 6 publicly offered 493,530 shares of common stock ($5 par) of Seeger-Sunbeam Corp. at $23 per share. The shares offered represent part of the holdings of certain stockholders.

The company has no funded debt or preferred stock authorized or outstanding. Its total capitalization consists of 1,100,000 shares of common stock outstanding out of 1,250,000 shares authorized.

The company was formed by merger in May, 1945, of Seeger Refrigerator Co. and Sunbeam Electric Manufacturing Co., which have plants in St. Paul, Minn., and Evansville, Ind., respectively. For many years prior to the war Seeger and Sunbeam divisions of the company (then operating independently of each other) were manufacturers of electric household refrigerators. They were the principal source of supply of such products for Sears, Roebuck & Co. Seeger also supplied household refrigerator cabinets to Montgomery Ward & Co. and others, and manufactured commercial refrigerator cabinets.

Bear Market Reaction Or Shake Out?

(Continued from page 186)

tions imposed by price control of civilian goods that damps down business confidence and chills speculative enthusiasm.

Revival of confidence touched off by the accession to the Presidency of Mr. Truman has temporarily spent its force. That is not to say that change in Administration was not and is not important. It was and is. The whole period of transition is likely thereby to be eased and the outlook therefor and thereafter is definitely better than it was some months ago. Nevertheless, the social and political difficulties in the way of return to a "free" economy are still with us and part of the price apparently to be paid for "protecting the consumer" and "sustaining purchasing power" will be price control, reduced industrial corporation earnings and possibly some reduction of dividends.

For the market that means that we have probably entered the "interphase reaction" that may well amount to 15-20 points (D. J. Industrial), that could stretch out to 30-35 points, and that will probably endure for 5-9 months. For the investor this suggests a cautious policy—emphasis on quality, avoidance of large speculative risks and maintenance of or building up of buying power.

The Next Twelve Months

Governmental attitudes toward business, prices, wages, credit, foreign trade and all the many fields in which Government now plays an important part have oscillated between fear of inflation and fear of deflation. Over the next several months fear of inflation may well set the theme of Government thinking and activity, but in view of the (probably minor) deflation that the resultant policies would effect, it is wholly likely that a rapid shift of emphasis back to an inflationary theme would take place before many months had passed.

A tentative view of the next twelve months suggests that we are likely to see: (1) increasingly large cutbacks of war contracts; (2) a fast decline in the level of production, with a later and less rapid recovery; (3) increased wage rates; (4) ending of the Japanese war; (5) fairly rigid control of business and prices, but later rapid relaxation of controls; (6) some decline in overall industrial corporation earnings; (7) some reductions in dividends; (8) favorable revisions in the tax laws.

If that is roughly to be the shape of events stock prices are likely to fluctuate fairly widely and to trend downward in the earlier part of the period, but later to turn upward in the beginnings of the next rising phase of the market, which still appears likely to carry prices substantially above recent highs.

Several periods of fairly acute weakness may be seen over the intermediate term. One might well occur when it becomes evident that the price control policies of the Administration are going to continue for a sufficiently further period and in a manner such as truly to threaten margins and earnings in the early conversion period.

Still another might occur when it becomes apparent that 1945 earnings will be lower and when some instances of dividend cuts occur. Still another may be seen when the end of the Japanese war appears to approach, especially if prior expectations should have been along lines of a long war in the Pacific.

Bull and Bear Factors

The big bull factor behind this market is the already tremendous supply, and the steady increase in that supply, of funds. The big bear factor is the uncertainty over the meaning of the world-wide social upheaval that is fully evident in this country as well as elsewhere, and that is bringing so many changes in long-established relationships.

We know, for instance, that we will not return to free enterprise as we knew it prior to 1929. Government, as tax collector, is a partner in all business today and is fully likely to remain a partner. Probably no one now believes that we will go on down the road of totalitarian government to its blind end or that wartime restrictions and taxes will not be greatly moderated in the years ahead. Nevertheless, such questions as "how free?" and "how much enterprise?" and "how much or how little government in business?" are still unanswered.

Thus the market has wavered between these two opposing forces, alternately buoyed by the outflow of funds and cowed by the threats to profits inherent in governmental regulations and restrictions.

The Equation of the Market

It deserves emphasis that the volume of business, the degree of business activity, is important to the level of stock prices primarily to the extent that it affects profits and thereby dividend-paying ability. Thus it is not the impending decline in business activity per se that worries the market. It is the emaciated condition of profit margins, squeezed between high costs and low prices, a condition that will come to light once the effects of the anaesthesia of war activity wear off.

The outlook for profit margins affects two things. It affects confidence in the future, which determines whether or not investors are willing to buy and hold stocks. It also eventually affects earnings and, therefore, dividend-paying ability.

As previously mentioned, the supply of investment funds in relation to available investments is also an important factor.

Thus, one might write algebraically the equation of the market as follows:

Stock Price Level = Supply of Funds divided by Supply of Stocks x Dividends x Confidence.

A severe bear market occurs when all these factors are adverse. In the period of enthusiasm prior to the beginning of a bear market the supply of stocks greatly increases through new issues. During the decline the supply of funds, dividends and confidence all decrease, with the result that the effect upon stock prices is drastic.

Fortunately, from the standpoint of the stock price level, we are currently experiencing the greatest increase in supply of funds on record, with no comparable increase in the supply of stocks (by far the major portion of new financing has been for refunding). Thus, any decline in stock prices that may be witnessed is likely to be proportional to the reduction in confidence and in dividends which suggests a price decline well short of bear market proportions.

A Billion A Week

The bullish effects of monetary conditions on the current market are not to be underestimated. From the end of 1939 to the end of 1944, for instance, liquid assets (cash, bank deposits and U. S. Government securities) held by individuals and businesses increased from $66 billion to $194 billion.

This expansion is still going on at the rate of about $50 billion a year or nearly a billion a week. These liquid assets are now about $219 billion and a year from now, at that rate, will be about $270 billion.

The magnitude of these figures is apparent when related to the value of stocks listed on the New York Stock Exchange. As of the end of May the market value of all listed shares on that exchange was $62.4 billion. (At the end of 1939 the market value was $46.5 billion.)

This condition has been a sustaining force in the market to date and will continue to exert an upward pressure on prices. It does not automatically follow, however, that the mere existence of this huge pile of liquid assets necessarily guarantees a continuously rising market.

It does afford a favorable background, but the active ingredients of business and investor confidence and a favorable outlook for dividends, and therefore earnings, must be present to impel the investment of these funds in securities.

How Much Reaction?

The best measure of investment confidence is the average yield structure of the market. At the recent high, industrial stock yields averaged about 4%. About all one would expect in a period of temporarily declining confidence, during a major upward rise, would be a yield adjustment of something under one-half point. Thus, an adjustment to something moderately under 4½% would suggest a decline from the high of the order of 15 to 20 points.

But dividend rates are not static; they are continually undergoing change. Industrial dividend payments have been slowly rising since the end of 1942 and in view of the moderate declarations in relation to earnings are quite unlikely to be severely cut. Nevertheless, a 5% to 10% reduction in dividends might well be seen in the event that earnings temporarily come down fairly severely. Should this happen that would suggest another 10 to 15 points reaction.

Thus, a real jolt to confidence accompanied by some dividend cutting might amount to a 30-35 point reaction.

This is not a forecast that the market will react by that precise amount. It is simply a statement of the apparent intermediate term risk in the market at the present time.

Investment Policy

So far as investment policy is concerned, no major change or drastic revision seems indicated. Risks of reaction have increased and, therefore, greater caution is justified. Emphasis upon quality appears advisable and in an outlook suggesting several periods of temporary price weakness most investors will desire to have available buying power to take advantage of the investment opportunities likely to occur.

Recent markets have well illustrated how diverse can be the movement of various groups of issues and of individual issues within groups. Certainly not all stocks will be affected similarly in the period ahead. Thus individually attractive situations are fully likely to appear.

At the beginning of the year a discussion of the market outlook ("Steel Stocks And The Current Market"—January 3, 1945) stated: "The long range probability is that the stock market will move considerably higher in the process of a long rise likely to consume a period of years, something akin to the rise of the 1920s and that of the 1930s. But this long rise will probably consist of several upward phases interrupted by fairly extended periods of hesitation and reaction . . . reasonable guesses at this time are that this rising phase may perhaps culminate during the first half of 1945 and that the next rising phase may not begin until late 1945 or early 1946."

That opinion still looks like a reasonable view of the outlook.

Philipson Co. Expands Activities of Firm

UTICA, N. Y.—Philipson & Company, 219 Genesee Street, specialists in Up-State New York securities, announce that they are expanding the activities of the firm and have moved to larger offices in the same building. The increased facilities will make it possible to give customers of the firm improved and faster service. The Bell Teletype number remains UT-18; the telephone number, Utica 4-4127.

Kennedy Boardman With Nat'l Sec. & Research

Kennedy Boardman has joined the National Securities and Research Corp., 120 Broadway, New York City, as a wholesale representative in the New York area. Mr. Boardman was formerly with J. Arthur Warner & Co. and was in business for himself in New York City. In the past he headed his own investment firm in Denver.

Up Pay of Postal Workers

Following the approval by the House, of a Senate version of legislation to increase the pay of postal workers, the bill was sent to the White House, it was stated in an Associated Press dispatch from Washington June 27. Announcement of the signing of the measure by the President was contained in press accounts from Washington July 6. It is stated that the bill provides an increase in pay of 20%, or a permanent yearly wage boost of approximately $300 to $400 for most postal employees.

The following is from Associated Press advices July 6:

"For regular employees in the so-called automatic grades, the advance may not be less than $300, even if the 20% comes out to less.

"Overtime payment is provided at the rate of time and a half, in either money or time off, for work in excess of 260 workdays a year. There is a 10% differential for employees working regularly at night.

"Overtime rates do not apply to some designated supervisors, rural carriers, traveling mechanics and some employees in railway-mail and air-mail service. The House Post Office Committee said ordinary clerks in the rail and air services were eligible.

"The Postoffice Department said some 370,000 employees would share in the raises, which Congressional sources figure will involve about $150,000,000 a

Mutual Funds

Investment Company Manual

The fifth annual edition of "Investment Companies," published by the New York Stock Exchange firm of Wiesenberger & Co., has just made its appearance.

This manual is the most complete book in existence on the subject of investment companies. Its 288 pages cover the details of investment company theory and general topics relating to the investment company field. Open-end companies (mutual funds) and closed-end companies are treated separately, with detailed statistical records and analyses on individual companies given for each group.

The publication of this latest edition of "Investment Companies" is especially timely now. It coincides with a period in which stock prices are at or near their seven-year peaks, in which the U. S. is faced with the problem of adjusting its economy to a half-war, half-peace basis.

With all these additional uncertainties piled on the heap of the everyday uncertainties of the securities markets, it is no wonder that investors are anxious to investigate the opportunities in investment companies. It is no wonder that both sophisticated and unsophisticated investors are willing to turn over their funds to professional investment managers who give their full time to this full-time job.

Says Mr. Wiesenberger in his introduction: "Today, with the endless array of reliable statistical data available both on general economics and individual companies, the management of investments requires the undivided attention of trained specialists who reach a diagnosis on the basis of cold facts and a background of experience."

New York Stocks, Inc.

Record growth is reported by **New York Stocks, Inc.**, in its semi-annual report for the six months ended May 31, 1945. Comparative figures are shown in the tabulation below:

	Nov. 30, '44	May 31, '45
Total net assets	$8,619,811	$17,857,801
No. of shareholders	9,728	13,746
Shares outstanding	1,197,593	1,915,844
Unrealized apprec.	$580,442	$2,712,539

A good portion of this growth occurred in the two new funds, **Diversified Investment Fund** and **Diversified Speculative Shares**, which were offered on December 1, 1944. As of May 31, 1945 net assets of Diversified Investment Fund amounted to $4,218,718 and net assets of Diversified Speculative Shares totaled $590,161.

Prudent Man Rule

Selected Investments Co., in current memoranda on **Selected American Shares**, presents some interesting data in connection with the "prudent man rule" and its growing adoption among the various states.

On July 1 Illinois joined 15 other states which have adopted the "prudent man rule" for trust investment. The box score on trustee investment powers in the states is as follows:

States having legal lists for trust investment	23
States following Prudent Man Rule	16
Unclassified States	9
States considering Prudent Man Rule	7

American Business Shares

In its semi-annual report for the period ended May 31, 1945, **American Business Shares** reveals total net assets of $33,283,533 divided as follows:

	May 31, 1945
Common stocks	80%
Preferred stocks	5
Corporate bonds	13
U. S. Government bonds	1
Cash and other assets	1
Total	100%

Diversification by industries was spread over 18 different categories in addition to the holdings in corporate and Government bonds.

American and British Stock Markets

Keystone Corp. presents a chart in the current issue of **Keynotes** showing the trend of stock prices here and in London since the 1929 peak. While the general trend has been approximately the same in both markets, certain differences stand out.

The London stock average recently reached the high of 146.8 which is above the top levels of 1936-37 and also higher than in 1929.

On the other hand, the recent high of 169.08 for the American average is below the best prices of 1937 and only 45% of the 1929 high.

The bulletin concludes that "as compared with British prices, the American stock market—which is below the 1937 level and substantially below the 1929 level—would appear to be far from inflated."

* * *

The regular Semi-Annual Report of **Keystone Custodian Fund Series S-2** reveals that in the six months period ended May 31, 1945 total net assets of this fund increased from $16,053,326 to $23,146,586. Total assets of the 10 Keystone Funds on June 15, 1945 were more than $138,000,000.

Sample

Lord, Abbett in its current Investment Bulletin on **Union Preferred Stock Fund** shows a sample of management acumen in the selection of utility holding company preferred stocks. The issue in question is Buffalo, Niagara & Eastern Power $1.60 Preferred. This company is in reorganization and the preferred stock has $4.40 per share arrears. It represents one of the largest individual holdings in the UPS portfolio and was acquired at an average cost of 19 as compared with the current price of around 27.

Holding company preferreds comprise 46% of the fund's assets and total arrears due on the issues in the portfolio average out at $6.49 per share of UPS, as compared with its current offering price of about 25¾.

Prosperous Economy

Vance, Sanders devotes the current issue of **Brevits** to a resume of Dr. Sumner H. Slichter's article in the New York "Times." Among other things, Dr. Slichter points out that during the last four years the American people have accumulated 15 years of normal savings. "We have the needs, the money, the machines with which to build a prosperous economy," says Dr. Slichter.

Massachusetts Investors Second Fund reports total net assets of $12,500,692 on May 31, 1945, which compares with net assets of $10,202,439 a year earlier.

Downside Protection

Describing "downside protection" as another advantage of growth stocks, **Broad Street Sales Corp.**, in a current folder on **National Investors**, shows that through good investment timing and concentration of assets in growth stocks, the appreciation in National Investors' assets has built up good "downside protection." The records of some individual stocks in the portfolio are cited to show the way growth stocks protect the investor's funds.

Mutual Fund Literature

Distributors Group—Current **Aviation News** on postwar orders for the aviation industry; special month-end price comparison on **Group Securities**; revised basic folder on **Steel Shares**. . . . **National Securities & Research Corp.**—Memorandum showing portfolio changes during June; current information folder for July. . . . **Keystone Corp.**—Current data folder for July. . . . **Hugh W. Long & Co.**—New York Letter showing portfolio holdings of **New York Stocks, Inc.** as of June 15. . . . **Lord, Abbett**—Composite Summary folder of **Lord, Abbett** investing companies for July. . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important."

Dividends

Institutional Securities, Ltd.—A dividend of 40 cents per share payable to **Stock and Bond Group** shareholders August 31, 1945 to stock of record July 31.

Massachusetts Investors Trust—Dividend of 26 cents a share payable July 20, 1945 to shareholders of record June 29.

State Street Investment Corp.—A dividend of 25 cents a share payable July 16, 1945 to shareholders of record June 30.

Margin Requirements Raised to 75%; Cash Still Required on Securities Under 10

Following the action of the Board of Governors of the Federal Reserve System in increasing margin requirements on purchases of securities, the New York Stock Exchange on July 5 acted to conform to the requirements of the Board. In its announcement the Stock Exchange said:

"The only substantial change in the Exchange's margin rules is the elimination of the requirement that margin of 10 points be obtained on new transactions and commitments in securities selling at more than 10.

"On securities selling at more than 10, the Federal Reserve Board's requirement of 75% margin operates.

"The Exchange's present requirement that securities selling at 10 and under be paid for in full remains unchanged; also the Exchange's present requirement of $1,000 minimum equity still applies.

In the New York "Times" of July 6 it was pointed out that the Board of Governors, in the revised rule effective July 6 stipulated that "withdrawals of any stock selling at $10 per share or less, or any bond selling at 10% of its principal amount or less, may be made from any account which has a debit balance, "short" position, or commitment, provided that after such withdrawal the equity in the account is at least the greater part of $1,000, or the amount required by the maintenance requirements of this rule."

The "Times" also said:

"Neither the 75% margin nor the revised rule of the Exchange applies to the account of a specialist or odd-lot dealer on a national securities exchange in which the transactions and securities are confined exclusively to those securities in which he is registered, the Stock Exchange explained yesterday. Likewise exempt are special omnibus accounts of member firms maintained in accordance with Section 4(b) of the Federal Reserve System's Regulation T, it said."

Acting Secretary of the Stock Exchange John C. Korn, in advices to members July 5 stated:

The Board of Governors, at a meeting held today, amended paragraph (a) of Rule 550 to read as follows:

Rule 550 (a). *Initial Margin.*—For the purpose of effecting:

1. New securities transactions and commitments;
2. Withdrawals of cash;
3. Withdrawals of any stock having a market value of more than $10 per share, or any bond having a market value of more than 10% of its principal amount

in margin accounts of customers, whether members, allied members, member firms or non-members, no value shall be allowed on any stock having a market value of $10 per share or less, or on any bond having a market value of 10% of its principal amount or less, "long" or thereafter deposited in the account.

The margin deposit in connection with any securities transaction or commitment shall be either a cash deposit equal to the cost of the security purchased or a deposit of cash or securities sufficient to reflect an equity in the account of at least $1,000. For the purpose only of this minimum equity requirement, value may be given to any stock having a market value of $10 per share or less or any bond having a market value of 10% of its principal amount or less.

Withdrawals of any stock selling at $10 per share or less, or any bond selling at 10% of its principal amount or less, may be made from any account which has a debit balance, "short" position, or commitment, provided that after such withdrawal the equity in the account is at least the greater of $1,000, or the amount required by the maintenance requirements of this Rule.

The foregoing requirements do not apply to:

(1) The account of a specialist or of an odd-lot dealer on a national securities exchange in which the transactions and securities are confined exclusively to those securities in which he is registered as a specialist or as an odd-lot dealer, or

(2) A Special Omnibus Account of a member firm maintained in accordance with Section 4 (b) of Regulation T of the Board of Governors of the Federal Reserve System.

The effective date of the amendment shall be July 6, 1945.

On July 5 the Governors of the New York Curb Exchange amended its margin rules to meet the 75% minimum margin requirement of the Reserve Board, but continued payment on a cash basis of stocks selling up to $10 a share, effective July 9.

To Form Ackerman, Conte, Mattielli Co.

The New York Stock Exchange firm of Ackerman, Conte, Mattielli & Co. will be formed as of July 20th, with offfices at 25 Broad Street, New York City. Partners will be Warren Ackerman, who will acquire the Exchange membership of Saul J. Shepard; Italo A. Conte, Louis Mattielli, general partners, and Cesare Barbieri, limited partner.

Mr. Ackerman in the past was an Exchange member, doing business as an individual floor broker. Prior thereto he was a partner in Munds, Winslow & Potter. Mr. Conte was formerly with Hayden, Stone & Co.

Challenge of the Present

(Continued from page 186)

from what they were 20 years ago. To emphasize this point it is only necessary to contemplate the results of litigation before the Supreme Court during recent years in cases involving social issues.

Professor Milton Handler, who occupies the Chair of Trade Regulation and Labor at Columbia University, has compiled what he aptly calls a Box Score of Supreme Court decisions from January, 1940, to May 15, 1945, in National Labor Relations Board cases, Government anti-trust actions, and Patent decisions. In the labor field, orders of the National Labor Relations Board were affirmed in 33 cases and set aside in 2 cases. In Government anti-trust actions, the Government prevailed in 16 cases and the defendant in 7 cases. Five of the cases which the Government lost were prosecutions against labor unions. In patent decisions, protection to the patent was granted in 4 cases and denied in 22 cases.

Nor has the taxpayer fared much better. George Koch, lecturer on tax law at Columbia University, has stated that of the 126 tax cases passed upon by the Supreme Court between January 1, 1941 through April 30, 1945, the Government won 95 cases and the taxpayer 31 cases.

This box score represents hard, inescapable facts — facts which must be faced, not ignored or blurred by a nostalgic longing for the "good old days".

Legal Concepts and Social Change

The examples cited certainly support the generally accepted notion that in many respects the period prior to 1929 was the end of an era. Forces which had long been operative came to a head; the great gulf of the depression separates us psychologically and ideologically from those years. At the same time, however, there is a continuity extending back into the last century, in the social and economic forces which concern us today.

One writer has described the 1880's in these words: "these were times of vast social change. With extraordinary rapidity a pioneer economic individualism was giving way to the collectivism of corporate trade."

This process, supported by a corresponding body of laws, precedents and decisions, may be said to have reached a climax by 1929.

In some respects, however, the conflicts which that process engendered are still continuing. The same writer describes the burning issues of the Eighties as "labor's grievance against the employer and the people's grievance against the corporations: **two manifestations of the individual's battle for survival in a collectivist world.**"

As a result of this struggle, we can see in retropsect that over a period of years a concept that industry had a degree of public responsibility slowly began to take form. The anti-trust laws, government regulation of the railroads and public utilities, the establishment of workmen's compensation commissions are all examples of some of the steps taken to restrain excesses of individual acquisitiveness in the interest of the general welfare.

Nevertheless, what we mean today when we speak of a "social consciousness" on the part of business can hardly be said to have existed until the last few years. Nor, by and large, did the public expect of business men any behavior other than an aggressive development of markets and resourcefulness in mass production and in the accumulation of profits.

It seemed adequate that social gains should be the **by-product** of the profit motive rather than profits the rewards for contributing to social gains. We had yet to learn that a shift in emphasis in this respect would spell the difference in the mental, political and legal climate of two eras. We had yet to learn to what a critical degree the operations of business, industry and finance were interrelated with the welfare of the individual and the country. We had yet to see clearly that the objectives of private enterprise and of the nation itself could not be separated into two different compartments without disastrous consequences.

As I have said, the prevailing public attitudes of the first three decades of this century necessarily determined our laws as well as their interpretation and thereby the responsibilities of the lawyer. It would be hard to find a better statement of this relationship between the law and society than the words of the late Justice Oliver Wendell Holmes, which I am sure are familiar to many of you.

"The law embodies the story of a nation's development through many centuries . . . The life of the law has not been logic; it has been experience. The felt necessities of the time, the prevalent moral and political theories, intuitions of public policy . . . even the prejudices which judges share with their fellow men, have had a good deal more to do than the syllogism in determining the rules by which men should be governed."

The operation of this principle is well illustrated by Supreme Court decisions in cases involving labor laws over a period which extends from the present back to 1917.

Elasticity of Judicial Interpretations

Congress reflects the aspirations of the people in the enactment of legislation relating to social conditions. Such action by Congress of necessity does not take place until public demand has become sufficiently widespread and forceful to register its impact on the lawmakers. Congress has to draft the legislation in such form as will meet Constitutional tests applied by the courts. In the past few years especially, the Supreme Court has found latent elasticity in the commerce clause of the Constitution to support this type of legislation. This process is exemplified by the child labor cases.

For decades the exploitation of child labor was a blot on our economy. While some States dealt with the problem effectively, others ignored it. Federal legislation was required to remove the evil. Congress acted in 1916 by passing the Federal Child Labor Law. The Supreme Court, in **Hammer v. Dagenhart,** with four Justices led by Mr. Justice Holmes dissenting, promptly decided that this legislation failed to meet Constitutional requirements. In recognizing the evils of child labor, the majority of the Court, speaking through Mr. Justice Day, held:

"That there should be limitations upon the right to employ children in mines and factories in the interest of their own and the public welfare, all will admit."

But, in refusing to uphold the Act, the Court reasoned as follows:

"In our view the necessary effect of this Act is, by means of a prohibition against the movement in interstate commerce of ordinary commercial commodities, to regulate the hours of labor of children in factories and mines within the states,—a purely state authority. Thus the Act in a two-fold sense is repugnant to the Constitution. It not only transcends the authority delegated to Congress over commerce, but also exerts a power as to a purely local matter to which the Federal authority does not extend."

In 1919 Congress, in a second attempt to eradicate the child labor evil by taxing it out of existence, passed the Child Labor Tax Act. The Supreme Court three years later refused to uphold this legislation. The majority, speaking through Chief Justice Taft, held:

"It is the high duty and functions of this court in cases regularly brought to its bar to decline to recognize or enforce seeming laws of Congress, dealing with subjects not intrusted to Congress, but left or committed by the supreme law of the land to the control of the states. We cannot avoid the duty even though it requires us to refuse to give effect to legislation designed to promote the highest good."

In 1938 Congress for a third time grappled with the child labor problem, by enacting in the Fair Labor Standards Act a provision excluding from commerce goods produced by oppressive child labor. This time the Supreme Court, in **U. S. v. Darby,** overruling **Hammer v. Dagenhart,** held that the commerce clause was sufficiently expansive to sustain the legislation. Mr. Justice Stone, in delivering the opinion of the Court stated:

"The conclusion is inescapable that **Hammer v. Dagenhart** was a departure from the principles which have prevailed in the interpretation of the commerce clause both before and since the decision and that such vitality, as a precedent, as it then had has long since been exhausted. It should be and now is overruled."

Whether the earlier or the later decisions correctly interpreted the Constitution is beside the point. Obviously the Constitution had not changed, but the views of the Justices had, and this change of viewpoint reflected a similar change in the attitude of the public. The point is that we are living in a new and different legal era and as responsible advisors of clients we must take into account changes in outlook and not permit our personal predilections to color our legal judgments. Even the vocabulary has changed and we must develop proficiency in the new language!

Responsibilities of Business

I have already suggested that the "felt necessities" of the present period involve the growth of a sense that business has a public responsibility. This is the essential fact which the lawyer must take into account today. Its implications are far-reaching.

The belief that business has a public responsibility is closely associated with the widespread conviction that here in the United States we have the productive capacity, resources and trained manpower to provide full employment, a high standard of living and security for all. It is probably no exaggeration to say that this is the most powerful and significant idea of this decade.

What began as a somewhat negative approach — that we must never again suffer the bitter consequences of another economic collapse—is now taking the form of a positive demand for the attainment of higher economic goals. The mighty spectacle of American industrial achievement for the purposes of war has raised the challenging question: "If we could achieve a national income of $161,000,000,000 in 1944 for war, why can't we do at least as well in time of peace?"

We may be reasonably certain that the American people will not permit temporizing with that question. If for no other reason, the bloody and costly sacrifice of the war itself will cry out for justification in terms of a better social order.

In the power of this great determination lie both the hope for the future and its perils.

The people will look to private enterprise to achieve these goals in cooperation with government. Therein lies opportunity. If private enterprise fails, they will demand that government utilize whatever means are necessary to secure the desired ends. Therein lies peril.

The war provided us with several great and encouraging object lessons. It has demonstrated the capacity of American industry to produce on an unprecedented scale. It has shown the ability of industry and government to work together, not as institutions with separate objectives, but with one common purpose. It has given business an opportunity to earn a large measure of public good will, following a period when the methods and achievements of our private enterprise system had been called into serious question and had resulted in a great extension of government limitations on business freedom.

All these are hopeful factors.

Renewed Faith in Private Enterprise

The public's renewed faith in private enterprise must not be lost. Nor should it be taken as a license to return to practices which have been condemned by the public. The people have a right to expect and will demand that private industry continue to be guided in peacetime by the same high interest in public welfare which it has shown in the days of war.

This requires that business men clarify their own concepts of their function in our democracy; that in our exercise and defense of freedom of enterprise, we rid ourselves of any delusions as to the meaning of freedom and that we render more than lip service to its cause.

Earlier I referred to the struggle of the individual against the growing economic collectivism of the last century, which had its beginnings with the rise of industrialization. It was then beginning to be apparent for the first time that the achievement of political freedom by the individual was in itself no guarantee of his economic freedom. The struggle then was against monopolistic trends in industry and against the exploitation of labor. As I have said, this struggle is continuous in one form or another. Today many people are acutely conscious of that other threat to individual liberty which can come from excessive political control over our economic institutions. The truth of the matter is that mistrust of "bigness"—whether in Government or in labor or in business—is an instinct deep in the mores of the American people. With our fundamental belief in individual freedom, our senses are constantly alive to intimations that power as it may be used is getting out of balance.

A Middle Course

We are confronted, therefore, with the problem of steering a course between the pull of two opposing principles. On the one hand, the complexities of our industrial civilization and the temptation to seek desirable social goals through deceptively simple short cuts, lends power to doc-

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The Securities Salesman's Corner

By JOHN DUTTON

How about your friends and acquaintances—do you do business with them? There are several viewpoints held by salesmen on this subject. Some insist that they do not want to sell securities to their friends. They believe their friends expect too much—that if an investment turns out unfavorably they will feel obligated to their friends—and at best, such business is more of a headache than it is worth.

It seems to us that this is rather a narrow viewpoint. In fact, there is no more reason to pass up the business of a friend than of a stranger. The main point in selling friends and acquaintances is to use the same judgment and care as you would in handling any other account. Of course, if you pick up the phone some bright morning and call up your friend Jim whom you've just seen last week at a bridge game and tell him you've got a "hot one" for him and he ought to take a few hundred shares—you're just looking for trouble and ten to one you'll get it someday.

Or, if you are out at the golf club and Jim asks you "what's good?", if you proceed to tell him about a few securities that you are selling and finally wind up in a two-fisted sales talk—you may sell him but you won't be selling him the right way. Again, you are looking for potential trouble and sooner or later you are liable to get it.

But if you put Jim' business on a sound basis to begin with, you are going to find out that his account can be profitable and mighty pleasant to handle. The next time he asks "what's good?" that's your cue to do some real selling. Instead of opening up on the golf course, when his mind is half on the game and the other half on making conversation, tell him that you are glad that he brought up the matter of investments—that you have been thinking of discussing the subject with him—that you have been doing an excellent job for some of your other friends—AND HOW ABOUT A LUNCHEON DATE SOME TIME SOON TO DISCUSS THE ENTIRE SUBJECT. Bring out the point that you would like to work with him in building up his investment account—approach this proposition **on an over-all basis of what you can do to help him.**

Any subject that is as important as your friend's investment problems certainly deserves to be discussed under circumstances that are conducive to sound talk and straight thinking. Get in to Jim's office by appointment, or better still have him call to see you —or visit together at his home. Get him to open up to you—tell him that you don't want to sell him a security—explain your business to him and how important it is to him to have someone upon whom he can rely, to give him proper information regarding investment opportunities, tax matters, and to watch over his account and the securities he owns, after he has bought them.

Once your friend understands that you are able to give him this type of service, you won't have to worry about his reactions if some security you have sold him declines in price. The whole difference is a matter of approach. If you are **selling a security** to your friends, **that security** might someday become a boomerang—BUT IF YOU ARE SELLING AN INVESTMENT SERVICE IT'S THE OVERALL PICTURE THAT COUNTS. Besides, if you sell an investment service you have an account—if you just sell a security you've only made a sale.

Friends can be your best accounts—they can also become your greatest source of new business—the whole trick is in starting them off on the right path AND KEEPING THEM THERE.

Retaining 3c Postage

Legislation to continue for two years the temporary increases in first-class postage rates, including the three-cent rate on out-of-town letters, has been passed by Congress and sent to the White House, according to Associated Press advices from Washington, June 28, which said:

The three-cent rate on local or in-town letters, by provision of the 1944 Revenue Act, is effective until six months after the end of the war.

A measure intended to put fourth-class mail on a self-sustaining basis was passed by the House and sent to the Senate. It readjusts the rates on catalogues and similar printed advertising matter to produce additional revenue estimated at $886,000 annually.

Challenge of the Present

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trines which can lead to excessive state control of our economy. On the other hand, those of us who would safeguard the values of individual freedom must combat not only the trends toward regimentation but we must also combat those who confuse liberty with license and through their own excesses encourage the very controls we seek to avoid.

We must not forget that while we are entering a period in which war-imposed government controls over business will be gradually relaxed, the process is reversible. The very fact that the industrial achievements of wartime have occurred under strict centralized direction could be construed as proof that this is the only way to achieve a major national objective.

If this is a fair appraisal of the climate in which we are to work out our individual problems, then we as lawyers face new difficulties and new responsibilities and new opportunities.

Some of these difficulties arise from the fact that today when we are asked to advise regarding the legal aspect of corporate policy, the obligation placed on us is broader than the mere application of statutes and court decisions to a given set of facts.

In the field of taxation, for example, tax lawyers generally regarded tax laws as laying down rules which, if technically followed, would lead to a predictable result. Tax laws prescribed the formula; fill in the various factors, solve the equation, and the answer could be relied upon. Of course, the problem was not that simple. Yet, so important is the impact of taxation that great effort is made by Congress to lay down precise rules. Motive, so long as the rules were followed, was considered by many eminent tax attorneys to be of no important consequence.

The case of **Gregory v. Helvering** seems to mark a liberalization by the Supreme Court in the application of tax statutes. In that case, it was contended that the taxpayer had complied with all the requirements of the law relating to statutory reorganizations and that consequently the motive thereby to escape payment of a tax would not alter the result or make unlawful what the statute allowed. However, the Court, while apparently excluding motive from its consideration, held that the corporation created as the vehicle for the reorganization was in fact an elaborate and devious form of conveyance masking as a corporate reorganization and nothing else. (It seems to be clear that the Supreme Court in tax matters is more closely examining the substance of tax transactions, attaching less weight to the means employed by the taxpayer, and regardless of language used, apparently is influenced by motive.

The lesson pointed by such decision is plainly that today when applying statutes to a factual situation, strict construction may be misleading. We are under the necessity of relating each problem to the public need. Judge Learned Hand, in **Cabell v. Markham,** has put it this way:

"But it is one of the surest indexes of a mature and developed jurisprudence not to make a fortress out of the dictionary: but to remember that statutes always have some purpose or object to accomplish, whose sympathetic and imaginative discovery is the surest guide to their meaning."

Laws Reflect Social Trends

We are again reminded, therefore, that laws reflect social trends. They express the will of the people as it crystallizes. Laws do not make society. Society makes laws. It is in the light of this concept that statutes are now rather generally being interpreted. In the age-old rivalry between rigid and flexible construction, flexibility is now on top. Consequently, application of the law becomes less predictable and the lot of the lawyer more difficult. When a statute comes before the court we may anticipate its construction not as "an alien intruder in the house of the common law" but as an expression of the will of the people, to be fulfilled and not frustrated.

The fallen and tottering landmarks of precedent, reliable guideposts for years, remind us that the law is not a rigid mold into which problems may be jammed, regardless of their character, and a standarized result produced. Law is more than ever a vital, growing, expanding body of concepts. Numerous and vigorous dissents and differing opinions as to the function and authority of the courts—themselves the expression of conflicting social ideas —make the lawyer's task even more exacting.

It is only necessary to consider the difficulties experienced by the Supreme Court itself in reaching agreement in order to illustrate the tortuous road which lawyers must tread in search of guiding principles during an era of changing concepts. For example, we may cite the case of **Tennessee Coal, Iron & Railroad Co v. Muscoda Local No. 123,** arising under the Fair Labor Standards Act, in which it was held that time spent by iron ore miners in underground travel must be paid for. Mr. Justice Murphy in the majority opinion, after quoting from the law, said:

"But these provisions, like the other portions of the Fair Labor Standards Act, are remedial and humanitarian in purpose. We are not here dealing with mere chattels or articles of trade but with the rights of those who toil, of those who sacrifice a full measure of their freedom and talents to the use and profit of others. Those are the rights that Congress has specially legislated to protect. Such a statute must not be interpreted or applied in a narrow, grudging manner."

Mr. Justice Roberts, in the dissenting opinion, in which Chief Justice Stone jointly, took a contrary view in stating:

"The question for decision in this case shuld be approached not on the basis of any broad humanitarian prepossessions we may all entertain, not with a desire to construe legislation so as to accomplish what we deem worthy objects, but in the traditional and, if we are to have a government of laws, the essential attitude of ascertaining what Congress has enacted rather than what we wish it had enacted."

The Supreme Court later, in **Jewell Ridge Coal Corporation v. Local No. 6167, United Mine Workers of America,** decided that bituminous miners are entitled under the Fair Labor Standards Act to portal-to-portal pay. The extent to which the Court went in this case is well illustrated by the comment of Mr. Justice Jackson in the dissenting opinion:

"We doubt if one can find in the long line of criticized cases one in which the Court has made a more extreme exertion of power or one so little supported or explained by either the statute or the record in the case. Power should answer to reason none the less because its fiat is beyond appeal."

The implications of all that I have said are clearly evident when we consider the growing importance of "preventive law practice." The lawyer plays perhaps his most useful role in business when he enables the businessman to keep out of court. With increasing frequency the lawyer is consulted and should be consulted during the preliminary stages in the development of a program. If the lawyer does his work well, seldom will he have to defend it.

But in seeking to anticipate the legal consequences of a given policy, the lawyer is confronted with still another problem which is an inevitable concomitant of a period of social flux.

This is the uncertainty created by the lag which so often occurs in times like these between social trends and their translation into law.

Lawyer Must Look Ahead

Unless the lawyer is keenly sensitive to such trends, advice acted upon today is likely to fail to meet the test of judicial scrutiny years later. This has been especially true in the case of the anti-trust laws. As we know, many agreements, carefully prepared, tested and approved as valid by the ablest legal talent in the late Twenties and early Thirties, were declared to violate the Sherman Act when challenged a decade or more later. Changing political, economic and social conditions were accompanied by judicial expansion of statutory frontiers to include contracts which when drawn were regarded as well beyond the forbidden area. Many difficult readjustments were made necessary as a result.

In the development of a legal policy, therefore, we must guard to the best of our ability against such contingencies. We must remember that although a given set of facts may fit snugly into the framework of statutory law as interpreted today, yet, if the program is carried out, a situation may be created which, while not yet condemned by the courts, may be in conflict with the objectives of the statute, thus storing up trouble for the future.

In a circumstance like this, the lawyer has a hard decision to make. The present status of the law would support legal clearance. Yet, in the long-range view, the application of legal policy indicates that the client should be advised against the step he plans to take.

Sometimes such a conflict can be conciliated, but often the objective itself cannot be reconciled with what the lawyer believes to be the trend of the law. Frequently he is unable to find support in a specific statute or decision which precisely covers the point. Yet he can form an intelligent opinion.

From all these considerations it is apparent that the lawyer faces an exceptional challenge and a great opportunity for service in keeping with the best traditions of the profession.

His training and experience equip him to view passing events in historical perspective; give him an aptitude for objectivity. He knows that change is the very essence of progress; that the readiness to adapt oneself to the new is a test of mental growth. He will realize further that if he stands defensively on the letter of the law, failing to recognize that new concepts of public interest are forcing new interpretations of old laws as well as the passage of new and more far-reaching statutes, he will sooner or later meet disappointment at the hands of an alert court.

Essential in Business Leadership

It seems to me, therefore, that certain essentials of the viewpoint which legal advisors must help business leadership to maintain in the years ahead are quite evident. They are essentials of a course, based on a sense of public responsibility and an awareness of social change. I would list them as follows:

1. Business enterprises which touch the everyday lives of millions of people are in large measure trustees of human welfare. The right to profit is measured, and the very existence of profit

depends on the way in which industry meets its responsibilities to the public as consumers and as workers.

2. Competitive enterprise under democratic government must have the greatest degree of liberty of action commensurate with the general interest. **When it has less or more its existence is threatened.** Therefore, in asserting its privileges, industry must be equally ready to accept its obligations.

3. Freedom of individual enterprise means freedom of competition, not license to destroy competition and to establish monopoly.

4. A sound economy requires the existence of thousands of small businesses as well as larger units. Each has its justification in terms of efficiency or social necessity, depending upon the economic task to be done.

5. Belief in democracy means belief in the right and the power of the people to rule. It recognizes that the people will run this country in their own interest—not to please theorists, not to serve the selfish purposes of any bloc, including business.

6. Substantial cooperation between industry and government is necessary if the private enterprise system is to function effectively under the conditions of a highly industralized society and make possible the attainment of increasingly higher social and economic goals by the nation

7. To make such cooperation effective and to maintain the essential values of individual freedom, the respective fields of government and industry must be kept distinct. The process of defining their distinctive spheres will involve continuous refinements and modifications in function over a period of years, as problems change, new needs arise and experience is gained.

The lawyer must accept as a basic fact of life the profound changes that have occurred in this country since 1929. His thinking must be accommodated to these changes. To statute and decision has been added a new legal dimension—the dominant public interest. A lawyer's advice based upon a two-dimensional study of the law is likely to result in as great a distortion of reality and to be as flat as a two-dimensional painting without depth or perspective. A sound lawyer—sober, hard-headed and realistic craftsman that he is—pays heed to every relevant fact, whether or not that fact is to his liking.

The task ahead will call for the greatest wisdom and understanding on all sides. It confronts all of us with a challenge which we can gladly accept. With a deep sense of our history and its living present, we are conscious of our responsibility to those who have made the ultimate sacrifice that this land might long be bright. All that we mean by the promise of the American way of life, by what one historian has called the "American Dream"—all these hopes and aspirations call on our best efforts to assure their progressive fulfillment in the years ahead.

Buenos Aires Coupon Payment

Erlangers, Ltd., 4 Moorgate, London, E. C., announce that they have received from the Ministry of Finance of the Province of Buenos Aires a remittance which will enable them to pay all matured arrears certificates and coupons due Dec. 1, 1940, and subsequently, of the Province of Buenos Aires 4½% external loan of 1909-12 (French fraction) lodged for encashment up to and including June 5, 1945.

U.S. Savs.-Loan League Bulletin on GI Bill

The first anniversary (June 22) of the Presidential signature on the Servicemen's Readjustment Act of 1944, found private lending institutions which implement Title III of the Act taking stock of the veterans' loan program provided by this legislation. A bulletin sent by the United States Savings and Loan League to the savings and loan associations and cooperative banks throughout the country said in part:

"We are moving into a new era for the veterans' loan program when the spade work which has been done in making these loans in the difficult early months will bear fruit in rapid expansion of the program."

Morton Bodfish, Executive Vice-President of this 53-year-old nation-wide organization of the business, said that obviously the 9,000 home loans for veterans which have been guaranteed to date "have been made under far less favorable circumstances than will in a short time prevail." Special interest of the savings and loan institutions in the program and prospects lies in the fact that about 90% of the home loans which the Veterans Administration has guaranteed to date have been made by this type of institution.

Three reasons for the belief that the program will take vastly wider proportions this year were given in Mr. Bodfish's bulletin, viz.:

"1. Up until victory in Europe there was no large group of veterans interested in or eligible for a guaranteed home loan. That situation has completely changed by the prospect of the release of two million men in the coming months. A large majority of these are probably home seekers.

"2. The way has been opened wide for veterans to build new homes right away. Mr. Bodfish points out. "We cannot emphasize too much that there should be no delay with regard to materials or priorities for materials for veterans' homes. The Congress, in the Independent Office Appropriations Act, included an amendment which was a clear-cut mandate to those in control of building materials to let the man who has fought for his country have the first chance to build a new home in that country."

"3. Reasonable, normal value" limitations on loans to veterans have been a drawback where a premium price level prevailed. "Very shortly, however, after we have seen a real start made in new home construction," says the League Executive Vice-President, "it will develop that new houses can be purchased at a price equivalent to their 'reasonable normal value.' This will set the price level or ceiling with regard to existing homes. Furthermore, as the supply of housing increases the ground will be cut out from under premium prices."

Daniel A. Heald Dead

Daniel Addison Heald, retired New York securities dealer, died in Memorial Hospital, Morristown, N. J., at the age of fifty-six. He was formerly president of the Morris County Fair Association; for several years he was president of the Jersey Cattle Association of New Jersey and served as president of the Morris County Grange.

5,000 Shares of J. P. Morgan & Co. Inc. Stock on Market

An offering was announced on July 9 of 5,000 shares of the capital stock of J. P. Morgan & Co., Inc. by a group headed jointly by Morgan Stanley & Co. and Smith, Barney & Co., at $314 a share, with a selling commission of $5 a share to dealers. The stock was quoted on July 9 over the counter at $312 bid and $318 asked. The present is the second large public offering of the Morgan stock, the first, in February 1942, consisting of a block of 13,500 shares at $206 per share, having come from holdings of former partners of J. P. Morgan & Co. or their estates. It is assumed that the latest offering also originates from the same source, but that it probably does not represent a combination of offerings. In the New York "Sun" of July 9 it was stated:

"The sale is significant not of the views of any of the present directors on the prospects for bank income but rather of the trend of the times, which is to anticipate onerous estate and inheritance taxes and to secure wide public holdings of corporations."

Davies & Mejia to Admit New Partners

SAN FRANCISCO, CALIF.—Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges, will admit Geno Galigani and Neil Laurence Laughlin to partnership in their firm as of August 1st. Mr. Laughlin who has been with the firm for some time in the past was a partner in Stewart, Scanlon & Co. and Dickey & Co. Mr. Galigani, also associated with Davies & Mejia as manager of their office at 245 Columbus Avenue, was in the past with Dean Witter & Co. and Keyston & Co.

Canadian Securities

By BRUCE WILLIAMS

The tumult and the shouting dies. The barrage of propaganda and inspired rumor concerning the imminence of the restoration of the Canadian dollar to parity with the U. S. dollar has ceased as abruptly as it started.

Although the exchange scare has resulted in a further increase in the speculative bullish position on the Canadian dollar, it has nevertheless served to clarify the situation by bringing light to bear on the following points:

1. The Canadian attitude with regard to the importance of the traditional and factual influence of sterling on the Canadian dollar is clearly unchanged. Recent developments have emphasized the vulnerability of the pound if left entirely to its own devices, therefore, an upward revaluation of the Canadian dollar is not logical at this time.

2. Wartime favorable balances on international account from the Canadian angle can be viewed in the following way:

a. The Hyde Park Agreement, which is no longer in effect, was largely responsible for the virtual elimination of the customary Canadian deficit on commercial account with this country.

b. Favorable balances on capital account can be regarded as speculative "hot" money which has moved northwards in anticipation of the Canadian dollar returning to its old parity.

3. The Dominion is preponderantly an exporting nation and it is, therefore, hardly conceivable that the Canadian authorities would take any premature step that would impose a handicap on her great exporting industries when the future of postwar foreign commerce is still indeterminable.

4. Stability, unparalleled elsewhere, has been achieved on the basis of the 90-cent dollar, and it is unlikely that any change will be contemplated until currency values have been tested in the transitional stage of the Bretton Woods Plan or other international monetary scheme.

Eventually, however, it is probable that the Canadian dollar will harden in terms of other currencies as there is little doubt that Canada's promising postwar prospects will be amply realized. In the meantime, a temporary reaction in the free market would not be surprising in view of the present heavy short-term bull position and the narrowness of the unofficial market whenever the rate moves away from the official level.

Turning to the market for the past week, there was a generally strong tone in the external section but the demand was hard to satisfy. Available supplies in Canada are now at a very low ebb and the recent currency scare has aggravated the situation.

A certain amount of switching from externals to internals has taken place, which has not been justified in the light of recent developments. There is every likelihood, therefore, of a tendency to reverse this process.

High grades continued in steady demand and Albertas and Montreals were more active at higher prices.

The internal section was at a comparative standstill in contrast to the recent boom. Mining shares also had a slight relapse, no doubt partly as a result of the present campaign in this country against Toronto security dealers. It is to be hoped that this situation will soon be viewed more realistically. A great proven industry should not be permitted to suffer because of the questionable activities of a small minority. Moreover, no amount of supervising, however zealous, will save a certain section of investors from unduly risking their money—and in most cases they have no wish to be saved.

With regard to future prospects, there is every reason to anticipate higher prices generally in the external list. On the other hand, internal bonds could react temporarily following a liquidation of over-optimistic bullish accounts.

Wisener & Co. Formed in Toronto, Canada

TORONTO, ONT., CANADA—Wisener and Company, Limited, has been formed with offices at 73 King Street, West. Principal of the firm is Phillip A. Wisener, formerly vice-president of Midland Securities Limited and prior thereto of Bell, Gouinlock & Co., Ltd.

OUR REPORTER'S REPORT

There are indications that some of the larger underwriters are commencing to hear from their dealer organizations, and not too kindly, over what the latter seemingly look upon as a growing tendency to overbid in order to capture new issues which are offered for sale under the competitive bidding rules of the Securities and Exchange Commission or the Interstate Commerce Commission.

One of the first big offerings to make their appearance in the van of the long list of potential issues for July, namely Louisville & Nashville's financing involving $53,119,000 of new series G bonds, is reported a bit slow in moving along.

Dealers are inclined to ascribe the sluggishness, they have no doubt that the bonds will work off within reasonable time, to full pricing. Their basic worry, however, is that by becoming tied up in a slow mover, they may be forced to forego participation in some of the host of other impending issues by reason of capital considerations.

They point out that there is only so much capital available to do the job. And they hold to the belief that perhaps it's not altogether an ill wind if the "peaking" to get business finally convinces the underwriters of the advisability of avoiding going high merely for the satisfaction of coming home with a given deal.

Like Negotiated Deals

There is little or no hesitation on the part of smaller underwriters and dealers in admitting their preference for participation in groups handling straight negotiated underwritings.

Here the cards are all down on the table. The security to be marketed has been bought by across - the - table bargaining. They know the price at which it is to be offered, the extent of their commitment from a credit standpoint and likewise quite definitely the offering date.

Such considerations, they point out, are lacking in the case of an issue offered in competitive bidding and frequently in such operations there is considerable difference of opinion pricewise among syndicate members.

On a recent deal one group had some 35-odd members and held two meetings. During the second meeting three participants dropped out, not agreeing on price ideas with the majority. This necessitated the reshuffling of $5,000,000 which was the participation of the firms pulling out.

American Telephone & Telegraph

Market observers see the forthcoming financing by American Telephone & Telegraph Co., involving $175,000,000 of 2¾% debentures as an undertaking which may pose a problem for the underwriting industry.

This huge undertaking must go through the channels of competitive bidding and accordingly, the outcome must satisfy the requirements of the Securities and Exchange Commission, that the requirements of its Rule U-50 have been fulfilled.

Well there is talk around that two groups will be in the running. But people who keep their fingers on the pulse of the general situation are inclined to some doubt that this is possible. However, the issue is up for bids on Monday, July 23, so the market will not have to wait too long for the answer to that one.

Three Small Ones

The week brought three issues to market which were strictly of the so-called "Street" type and consequently attractive to bidders.

Mountain States Power Co.'s $7,500,000 of 30-year bonds, brought out three bids all relatively close. Arkansas & Memphis Railway Bridge & Terminal's $2,865,000 bonds attracted four bids.

Meanwhile an issue of $10,290,000 of Pennsylvania Railroad equipment trusts with a 1⅞% coupon, brought out two bids.

New Orleans Dealers Closing Saturdays

NEW ORLEANS, LA.—The offices of the following New Orleans investment security dealers will be closed on Saturdays for the period commencing July 7th, to and including September 1st. This is in accordance with the action taken by all of the leading security exchanges throughout the country:

Charles E. Corrigan; Couturier & Derbes; John Dane; B. S. D'Antoni & Co.; Equitable Securities Corp.; T. J. Feibleman & Co.; Glas & Crane; Larz E. Jones; Kingsbury & Alvis; Lamar, Kingston & Labouisse; Fred J. McCormac; Clifford Morphy; Newman, Brown & Co.; Nusloch, Baudean & Smith; Fred N. Ogden; Ed. D. Rapier; Scharff & Jones; L. F. Smart; A. M. Smith-Wood Co.; St. Denis J. Villere & Co.; Waters and Alcus; Roy M. Watson; Weil & Arnold; Weil & Co.; Wheeler & Woolfolk; White, Hattier & Sanford; Robert R. Wolfe; Woolfolk, Huggins & Shober.

Fifty Years in Wall St.

George Hebeler, owner of Chas. Young, Inc., well-known haberdasher and men's clothing establishment, 67 Wall Street, New York City, will soon celebrate his fiftieth year in Wall Street. Mr. Hebeler started with the predecessor firm of Walter A. Phelan in 1895 as an errand boy at three dollars per week and finally bought the business in 1932. He recalls the days when Wall Streeters used to take the Wall Street Ferry from Brooklyn and came to work in high hats and frock coats. Prior to World War II, many were arriving at the same spot by airplane and speed boats each day.

Lasting Peace and Full Employment

(Continued from first page)

physical affliction of one of America's and the world's greatest leaders. And how fitting it was that when the end came, in a flashing moment of dramatic and shocking suddenness, he should have been resting in his "other State"? Franklin Roosevelt loved Georgia and Georgia loved him.

I am equally sure that President Truman and Georgia, as they come to know one another better, will come to love one another better. I know that the President feels, as I feel, a high respect and admiration for the outstanding contribution which Georgia's statesmen are making in the field of national and State government. In Washington you are represented with distinction by Senator Walter George, an outstanding member of the United States Senate, whose respected judicial temperament and wealth of experience give special value and attention to his judgment and counsel. Senator Russell is an outstandingly popular and effective legislator. He has made many constructive contributions to the national welfare, but his special interest in the problems of agriculture has especially endeared him to the farmers—the soldiers of the soil to whom the nation is so much indebted for the tremendous part they are playing in the successful prosecution of the war.

Your congressional delegation is outstanding and composed of men with wide experience and great ability. Your militant and progressive Governor, Ellis Arnall, is known throughout the nation as a leader of the New South, a relentless fighter for the progressive principles for which the Democratic party stands.

I am sure that this day signifies your warm-hearted and generous response to the splendid manner in which President Truman has measured up to his unparalleled responsibilities. No man ever assumed the presidency under such solemn and momentous circumstances. America was at the very climax of a global war. The world was on the threshhold of a great international conference, called to form an international organization to keep the peace. A preview of the future showed many critical and vexing problems ahead in both the domestic and international fields. In all these problems President Roosevelt was deeply and personally immersed.

And yet—he was gone, and Harry Truman stepped into his place. The nation's response, and Harry Truman's response, were such as to affirm and increase the world's confidence in the vitality of our democratic institutions. The nation's generous impulse and civic fervor rallied her people as one man to his side. He did not falter or hesitate. With a full realization of the load he was assuming, of the tremendous burdens he must henceforth bear, Harry Truman stepped to the helm.

From the first moment he was master of the situation. His head was clear, his hand was steady, his feet were on the ground. Straightway he commenced to steer the ship of state on the forward course which his predecessor had charted. But he brought to his task talents of simplicity, directness and clear thinking energy which were peculiarly his own.

In the same measure as Harry Truman has given, the people have responded. In him they instantly recognized a leader of distinction and capacity, of clarity, firmness and courage. Already in the brief period of his presidency he has acquired not only the confidence and loyal support, but the devotion and affection of the entire American people, without regard to party or section.

Therefore I believe that this "Truman Day" is a personal and peculiarly appropriate expression of your share in that genuine American response to a typical American—Harry Truman.

This united demonstration by typical Americans of their faith in a typical American President is a truly heartening and inspiring omen for our nation's future. Only the unity of all our people has brought us to the verge of total victory in a total war. Likewise, only a continuation of this unity will make it possible for us to meet the equally difficult task which lies ahead.

All our differing and diverse groups have united to meet and surmount the challenges of war. Under the leadership of President Truman I am confident that they will, with equal vigor and resolution, meet and surmount the challenges of peace.

What are those challenges? If I could summarize them in two phrases, these phrases would be "lasting peace" and "full employment."

It is a tragic thing that men must die because of the evil that other men do. It is tragic that evil is allowed to take root and flourish until only the savagery of war can tear it out. There is another way, and we must find it.

These wars that destroy treasure and manhood do not "just happen." Let us once and for all root out of our thinking the idea that wars are beyond control. Wars are not "acts of God." They are caused by man, by man-made institutions, by the way in which man has organized his society. What man has made, man can change. We can alter the shape of things so that war is no longer an ever-constant threat. It is within our power, as members of the United Nations, to accomplish this. It will not be easy, but the homage we pay our dead here today will be a mockery unless we use to the utmost the opportunity for which they fought and died.

We of the United Nations can do this, because the future of the world is in the hands of mankind. We must do this because mankind must progress and grow. We will do this because it is mankind's destiny to live in peace and liberty.

How to Attain Peace

What are the means by which we may accomplish lasting peace? The means are not simple to find, nor are they easy to put into operation. Yet ways must be found: the world must work together. The separate nations of the world must not only be willing that other nations should have economic security, but they also should assist each other to attain it.

There must be a method for working in concert, with force if necessary to put down those who seek by violence to attain selfish ends.

At Dumbarton Oaks and at Yalta and at San Francisco we of the United Nations have been shaping machinery intended to prevent aggressions. We have been blocking out the systems and the methods by which men and nations can come to a peaceful solution of their differences. We are seeking to substitute debate, discussion, compromise and legislation for the horror of modern war.

We are making progress. It is a healthy thing that the problems of the world are being decided, with all the world listening in. This is not secret diplomacy such as marked the end of the last war. This is the modern, democratic way of working, free debate in the open. Through these means we are shaping the Constitution of the United Nations.

Out of San Francisco has come a charter which, I firmly believe, can and will succeed—because the people of the world have demanded it.

Solid measures are also being forged in the Congress of the United States, and in the parliaments and assemblies of the United Nations to serve the cause of world cooperation.

Two Main Problems

The United Nations confront two main problems: the suppression of aggression and the assurance of a full flow of trade among nations. It is equally important that we are applying to the task of peace the cooperation that we learned in the hard school of war. We are determined to eliminate the causes of war. We cannot evade this responsibility. The world looks to us for leadership, and we are accepting the role.

America has never wished for war. Yet there are things dearer than peace—and so, sometimes we do go to war. What are these things dearer than peace? What is it that makes American men willing to die in fields and seas and skies of battle?

They are simple things, as our men, as all men everywhere are simple in their hearts: security of their homes and loved ones; the opportunity to work, to achieve, to grow in a land free from the tyranny of little men greedy for power.

Yes, these are simple things. But their attainment is not simple. The Declaration of Independence is a living document that was born in strife and whose fulfillment has required, and still requires, the devotion of generations of men. The Four Freedoms of man have been proclaimed. They are being born in battles more savage, more demanding of courage than the framers of our Independence could ever have imagined. We are setting about the fulfillment of those freedoms.

A job for every man and woman who wants to work would constitute a good beginning to the fulfillment of the Four Freedoms, and to the prevention of war. Our country has more than attained this goal during the war.

We have glimpsed a treasure of prosperity beyond anything this nation, or the world, has ever known—by providing a multitude of jobs. But there is something wrong when such standards of living can be attained only by producing for war. There is something wrong with us, with the systems of mankind that have caused war.

There will be something wrong with mankind, too, if we allow wars and depressions to return with clock-like regularity as of old. Depressions, like wars, are not acts of God. Man makes them. If we make them, we can unmake them. We must create, in peace, a new prosperity and a greater opportunity for jobs than has existed before.

A difficult task? Of course it is. But during the last five years America has accomplished many difficult tasks. In five years we have doubled our national production. We have piled an entire war economy on top of a civilian economy already operating at what, a few years before, some would have considered an impossible peak of nearly one hundred billion dollars.

We are a nation of prodigious accomplishment, and we can do this job, too. Our efforts in this war have opened our own eyes to the tremendous production which American labor and the American genius for management and organization can accomplish as a team. But this record, this vast number of jobs, has been attained through the establishment of an unlimited market by the Government's purchases for war. The change to peace-time production and employment, on a similar scale, will call once more upon the genius of all of us, upon business and agriculture, labor and management, State, local and Federal governments to create new peace-time markets to take the place of war-born demands.

Must Have High Living Standards

We have the means to produce a standard of living far higher than any we have ever known. We are rich in resources, in manufacturing facilities, and in manpower and the know-how of management.

If the ceiling of our production seems almost unlimited the needs of our people are also great. Our needs, plus those of the war-blighted lands overseas, are so various and so great that they challenge the production capacity of even the greatest industrial nation on earth. Yes, the needs are great, but needs do not constitute the means. The people of the United States must have steady income, and must feel sufficiently secure to want to spend that income—before the people become customers for all their needs.

This is a real challenge to America. We know we can produce what people need and what people want. We know that our system of distribution can get the goods to them. But the creation of steady pay presents the test of the genius of our business management, large and small. They must actuate demand by expanding their business, offering better services and better goods at fair prices. Labor and agriculture can increase man-hour production and thus make an important contribution to higher incomes and higher standards of living.

Government, too, has its responsibility, and it is a large one. Business, labor and agriculture cannot alone assure the maintenance of high levels of production and employment. The Government, acting on behalf of all the people, must be responsible for broad economic policies. Their purpose should be to promote and encourage the expansion of business, and to broaden markets, to support consumer spending.

The way to this goal, like the way to enduring world peace, lies through the joint work of all of us, through the genius of all of us; through the spirit of mankind. What can be done here at home will be done. The leaders of America, in every walk of life, will work individually and collectively. Where Government can help, it will. But the task is, first and foremost, the job of every one of us; of every living man and woman of America, and in the world. The living owe it to those who have died. We owe it to those who will return. They are fighting to get the job done, to get home and to pick up the task, the happiness, of living. What we, and they, do now and in the future will be the measure of whether or not we who live have fulfilled our duty to those who die.

Let us, on this Independence Day, honor our President and our dead by dedicating ourselves to accept and surmount challenges of Lasting Peace and Full Employment.

Planning and Enterprise

(Continued from page 187)

been women—about 1,500,000 under 24 years of age and about 1,500,000 over 35 years.

It is reasonable to predict that, following the war, many older workers will wish to retire, that many women will prefer to resume their work as homemakers, and that we shall once again start to raise the school-leaving age. Thus, we need not visualize 60,000,000 persons in the post-war labor force. It is necessary, however, for us to anticipate a much larger force than we had in 1940; first because of population growth, and second because of residual influences of the wartime expansion. It is highly improbable that abnormal wartime influences on the labor force will disappear without leaving any trace. But it may be assumed that conditions will be such than only 58,500,000 people will be at work, in the Armed Forces, or seeking work in 1947. There will be perhaps 2,500,000 persons in the Armed Forces. If we grant that 2,500,000 is the maximum volume of permissible unemployment, we are faced with a need for 53,500,000 civilian jobs. This is 7,000,000 more than in 1940, and 3,000,000 above 1941 (just prior to Pearl Harbor). These figures suggest the magnitude of the post-war problem, particularly if we appreciate the two factors: (1) the vast expansion of certain war industries, and (2) that most non-munitions industries except construction have expanded rather than contracted during the war. Various organizations have made forecasts with considerable agreement as to the expected level of employment in the post-conversion period. These estimates range between 49,000,000 and 52,000,000 in agricultural and non-agricultural employment two years after the close of the war. In other words, the very best of the expectations (52,000,000) runs considerably below the lowest possible forecast of needed jobs (53,500,000), and at least 3,000,000 under a reasonable forecast of need. Some of the estimates run even more than 3,000,000 below this level.

Were we to assume a figure of 50,000,000 jobs as an assured figure, what would it mean? It represents a net movement of about 4,000,000 out of manufacturing industries. These will have to be moved out of iron and steel, machinery, aircraft, shipbuilding, non-ferrous metals, and chemical industries. A few thousand additional workers will be absorbed in transport equipment, furniture, textiles, leather goods, paper and similar fields. Employment in such non-manufacturing industries as construction, trade, finance and services will expand very greatly after the war but hardly enough to offset the contraction in manufacturing industries. The main problem of unemployment, of course, will arise when war production is virtually eliminated with the termination of hostilities.

Far too little attention has been directed to the fact that the demobilization of the war economy will fall with varying impacts upon different regions of the country. It is estimated that 5,400,000 war workers and 8,500,000 members of the Armed Forces will have to be demobilized. About half of this total will be located in seven states: New York, California, Pennsylvania, Ohio, Illinois, Michigan and New Jersey. Unemployed war workers will present a major problem in California and Michigan, whereas New York and Pennsylvania will have the task of reabsorbing returned service men. While over-all programs to reduce unemployment may be useful in limiting the magnitude of the problem, they will not solve acute situations such as that faced in California, containing new manufacturing areas developed solely in behalf of the war effort. For such areas special measures will be required. Regarding the difficulty of demobilization for New York State, figures show a ratio to 1940 employment of 28% for the State to be demobilized, as compared with 32% for the United States as a whole.

The Problem of the Veteran

Industry will be called upon to help with the guidance and adjustment of thousands of workers. Concerning returned service men, however, who may wish to work in factories, recent experience shows that the number may be smaller than generally anticipated. Especially is this true of the man who has not had industrial experience prior to his entrance into the Army. He may be unable to overcome the sensation of being too restricted in a plant, making the more rugged experiences of out-of-door life, such as construction and lumbering or the less confining sales and service work more attractive. Suitable employment means that veterans should be enabled to find employment where they will be both happy and useful citizens. More adequate vocational guidance facilities for adults in general should be available as we prepare for peacetime employment. Much needs to be done toward preparing to do this job in a satisfactory manner. Communities, industries, schools and social agencies must be ready to carry their share of the burden. Well trained guidance counselors are required; aptitude tests and clinical technique are not nearly sufficient. Job analysis, job specifications and procedures for appraisal of skills and temperament required in such jobs are a necessary part of any intelligent program. Then, too, we need more information about the occupational outlook in terms of community areas, types of industries and seasonal variations. Guidance and placement of men and women from the Armed Forces will test our best planning since they represent unusual and difficult situations. In general, these will return in four groups:

(1) physically disabled

(2) physically qualified returning to their old jobs

(3) physically qualified who have been highly trained in the war effort and are not content to return to their old assignments

(4) physically qualified who were never connected with industry previously and have no job to which to return.

Condition of Peacetime Economy

Basic to all of our discussions of employment is the condition of our peacetime economy. It is not the points of difference which make the primary contacts between management and labor since they possess many more things in common upon which they can cooperate for mutual benefit. Management and labor both have a stake and a most important one, in cost reduction and in increasing productivity. There is no other truly practical way of securing added purchasing power than through more goods for more people and more jobs for them. A thousand times more shoes and tires, socks and shirts are worn out in the process of walking or riding to jobs at machines in factories or to counters in stores than by walking or riding to executive offices or stockholders' meetings. It is thus clear that management and labor have a mutual advantage to reduce waste whether found in labor, management, or government, since taxes too have a tremendous bearing on the subject.

In January, 1943, the National Resources Planning Board recommended that the United States should declare a policy of underwriting "full employment for the unemployed and guarantee a job for every man released from the Armed Forces and the war industries with fair pay and working conditions." The late President Roosevelt adopted this as an Economic Bill of Rights in his annual message to the Congress a year later (1944); the CIO-PAC embraced it. Mr. Roosevelt, reelected to a fourth term, reemphasized it in his 1945 annual message to the Congress. The interest of former Vice-President Henry A. Wallace, now Secretary of Commerce, shorn of RFC powers, in the national job budget plan has been so emphasized as to suggest that, if it was not indeed his creation, he had at least a predominant role in its conception and transmission into legislation. We should, however, be honest when we talk of economic security. Coupled with freedom it is an objective worthy of all our strivings, and can be achieved through the safeguarding and development of individual private competitive enterprise; but measures for full employment economy too often are suggestive of dictatorship and should be guarded against. We should be watchful against any trend which would appear to keep America in a type of war economy under the guise of peace and full employment.

Labor's Part

Labor is as interested in the system of private enterprise as management and it must contribute its share to prevent sharp declines in business activity. Labor leaders must appreciate that real wages and the standard of living of labor depend on its productivity. No prosperity can be expected except where wages are high, commodity prices low, and the efficiency of labor is great. Any advance in wages not based on productivity but rather on the strength of a union or on monopolistic policies obviously is unsound and prevents economic expansion. Government, too, can contribute a great deal to prevent sharp valleys in production by creating conditions favorable to business in general and directing measures to influence business activity.

The need for adequate and sound taxation is self-evident. Government expenditures in the post-war period will probably approach $20 billion, and half as much again will doubtless be spent by State and local administrations. Thus the minimum tax burden will approach $30 billion. Such a condition requires great economy on the part of all tax levying agencies and a broad scheme of taxation which, while it produces adequate revenue to meet expenditures, still stimulates private enterprise and initiative. Tax relief for small business, such as higher exemption from the excess profits tax, is only one of many things which should be carefully studied.

Sound commercial treaties with the other nations will need to be enacted with a view toward establishing economic and political tranquillity throughout the world. This would not only create a market for our products abroad but would lead to increased imports of required or desired commodities.

The Farming Picture

Consideration should be given the farming picture, too, for 65% of our raw materials comes from the land, and it is highly important that rural areas be so organized that they may be productive and efficient.

The American Bankers Association has warned its members against abnormal conditions whereby farmers may over-expand their land holdings. It has been found by the National Conference Board, however, that the farmers' equities have kept well in line with the estimated increase in value of farm assets; in other words, few farmers seem to be increasing their land holdings on the assumption that present war-savings will continue.

The farmers, who it appears have more than $10 billion in cash reserves, will have substantial buying power after the war. Illustrative of this might be cited the Curtis Publishing Company survey of farmers' plans after the war in 320 counties in 44 States:

1. 16.6% expect to build new homes;
   two-thirds of these have already set funds aside.
2. 71.5% expect to repair or improve houses at an average cost of $399;
   80.9% will pay cash.
3. 74.2% expect to repair or improve farm structures at an average cost of $525;
   78.9% will pay cash.
4. 49.9% expect to buy furniture and home furnishings at an average expenditure of $255.
5. 68% expect to buy household appliances at an average expenditure of $271;
   82.8% expect to pay cash.

(Incidentally, since 1923 the farmers have reduced their mortgage debt by practically one-half. Altogether, they are in a far better condition to protect their equities than after the first World War.)

There will be new machinery, too, which the farmers are anxious to obtain after the war, which will be of benefit both to their productive capacity and to the industries responsible for the output of these machines. For instance, awaiting post-war production are new-style plows, cultivators, et cetera, designed to work the land so that water will be retained better and erosion will be reduced. An example is the stubble-mulch machine devised to till the land without plowing under corn stalks, straw and other protective crop residue.

The Home Market

We know from a study of pre-war conditions that there is a great market in America where out of every 100 persons, 24 have no electric lights; 60 have no central heat; 45 have no bathrooms; 57 have no electric refrigeration; 61 have no telephone. Then there are not only the worn-out utilitarian products which must be replaced, but there are the many new products as suggested by electronics, plastics, et cetera, which indicate the post-war market.

Brief mention might be made regarding rural roads. Under the Post-War Federal-Aid Highway Act $150,000,000 annually will be available for improvement of secondary highways, and these funds are to be matched by State and county appropriations—making a yearly amount of $300,000,000. Out of 2,405,895 miles of rural roads, 1,474,445 remain unsurfaced. Surfacing these roads would definitely not be a matter of make-work projects; they are vital as farm-to-market routes, as well as being used by school buses and mail carriers. Not only are these roads vital from the point of view that an enormous amount of the nation's food must pass over them, but the isolation they cause is a detrimental factor in keeping people on the farms, or in encouraging young men to take up farming. Then, too, improved highways have resulted in interest in better schools, more active rural community life and a definitely higher standard of living. It seems hardly necessary to point out that a prosperous rural community means increased demand for the goods of industry.

The Housing Problem

We have all been very much aware of the inadequate housing facilities in our own State; yet how acutely inadequate they are is not sufficiently appreciated. Repeatedly, and in widely separated areas, this has been stated as the foremost reason why establishment of new industries has been stymied and expansion of old industries has been thwarted. Workers have been forced to commute many miles each day, and officials have been obliged frantically to purchase homes in strange cities where their work has taken them. We realize how real the problem is when we have on record repeated instances in which industries have refused to locate in communities that would have been ideal had it not been for the housing situation.

Knowing that crowded living conditions have impeded industries which would have been important now as well as after the war, there is every reason why planned programs for construction should be underway at once. Experience has proved the undesirability of constructing cheap houses to be rented at excessively low prices, however. We have no wish to have widespread government ownership of homes, often made so easily obtainable that they become slumming areas. While this is most definitely not to infer that low incomed groups should be denied adequate housing, it does mean that we should not deliberately foster and encourage certain types of economy. We all know how wasteful and unfortunate have been the results where things have been made "too easy."

On the other hand, it has been found that well constructed houses with costs ranging from five to ten thousand dollars handled on a self-liquidating basis engender most satisfactory results. The prospect of ultimate and complete ownership in a period of 10 to 15 years, depending on the terms, acts as a powerful incentive, and the pride and individuality expressed in the areas where this arrangement is in effect are both obvious and encouraging.

Emphasis on Higher Living Standard

In conclusion, as our economic pattern becomes increasingly complex, planning is a necessity—nor does this mean a loss of freedom but preservation of it. In the final analysis, it might be said that we are placing too much emphasis on full employment rather than on the standard and way of living. In primitive societies undoubtedly there was full employment, but not much could be said for the standard of living. And so, not simply "jobs" but highly productive jobs might better be emphasized. With our technical advance it should be increasingly possible for our children to have longer schooling; for the older people to retire at a reasonable age; and for all to enjoy a fuller life. A noteworthy warning by the National City Bank points out the danger that the effectiveness of the economic system "will be judged by the statistics of employment rather than by the standard of living it provides, by its ability to care for people who are not qualified for gainful work and those who are seeking education or have earned retirement, or by other measures of welfare."

Canadian Crop Prospects Improved, Says Bank

An improvement in crop prospects in Canada's Prairie Provinces and also in the Provinces of Quebec and Ontario is reported in the Bank of Montreal's crop report, released for publication on July 6. However, the bank says, timely rains and warm weather still will be needed in some sections, where the season is about two weeks late. In the Maritime provinces, excessive moisture and cool weather have retarded operations and germination of grains, and growth generally has been slow in most districts. In British Columbia, tree fruit and small fruit prospects are said to continue favorable for good average crops.

Are Stocks Too High?

(Continued from first page)

deflation rather than **inflation.** They look for lower commodity prices, reduced wages, lower rents and other features of a deflationary movement. Here again these pessimists will **some time** be rewarded if they stick to it long enough; but I believe they are absolutely wrong so far as concerns the immediate post-war period of perhaps some years' duration.

Of course, there will be periodic breaks in the present bull market. A "Communistic scare" may occur at any time. When the professional stock operators in New York have sold out their holdings they always dig up some pessimistic news to try to break the market in order to again pick up cheap stocks. On the other hand, I believe that any such breaks in the market would be temporary. It now looks as if the present bull market may run two or three years more.

Conditions Different Today

Both the pessimists and the optimists refer to World War I and what followed World War I as evidence for their present forecasts. The pessimists point to the big break which occurred in the early 20's; while the optimists refer to the continuous bull market which existed from 1923 to 1929 when the Dow-Jones average went up from 86 to 386.

I insist that we are living in an absolutely different world than existed in the latter years of World War I. Certainly this country is in an entirely different position with absolutely different conditions existing. Both the pessimists and optimists should agree to this if they have any sense of proportions. In fact, the pessimists can compare our present huge national debt today with the comparatively small national debt existing in 1919. On the other hand, the optimists can prove that following World War II the United States will be the strongest, richest and most productive nation in the world. Furthermore, our country, for some years, will be free from competition from Germany, Japan and other previous competitors.

Monetary Situation

Mind you, I am not talking about what will happen after, say, 1950. Some day the whole world must pay for the sins of the past decade. Only a spiritual awakening can prevent it. Then there again will be unemployment, business failures and real estate readjustments. Russia, China and certain other countries with cheap labor will then take world markets away from us. The English-speaking countries may then be threatened with a semi-Communism of some kind. Between now and when such a time comes, however, I expect to see much higher stock prices. With nearly $30,000,000,000 in pockets and cash drawers, with only a very limited supply of securities to purchase, stock prices must sell higher.

It is true that the Dow-Jones Industrial Average which was 42 in 1932 now stands at around 168; but remember that it went up to 386 in 1929 and could as well sell again at that former high. Before selling any industrial-inflation-proof stocks, take time to compare their present prices with the highs of 1929. This is very important when combined with a study of how prices compare on a "**times earnings**" basis.

J. Earle Jardine Jr. Back at Desk in L. A.

LOS ANGELES, CALIF.—John Earle Jardine, Jr., Vice-President, director and an assistant to the president of William R. Staats Company, 640 South Spring Street, is back at his desk after three years active service as a Major in the United States Army. He served for 13 months as acting director of the Southern Sector of the Office of Civilian Defense, then was assigned to the staff of Southern California Sector of the Western Defense Command, as Civilian Defense Officer and subsequently as Assistant Plans and Training Officer.

Jardine has held a commission in the Organized Reserve of the U. S. Army since World War I and has been identified with William R. Staats Company since 1922. He was active in both the Investment Bankers Association and the National Security Traders Association prior to his call to active duty. He has a son who is now serving in the U. S. Navy.

Pennsylvania Equipments Offered by Halsey Stuart

Halsey, Stuart & Co., Inc., won the award July 10 of $10,290,000 Pennsylvania RR. series Q equipment trust certificates as 1⅞s, and immediately reoffered the certificates, which mature annually from July 1, 1946, through 1960, at prices to yield 0.90% to 2.10%, according to maturity. The certificates are being issued under the Philadelphia plan and are subject to Interstate Commerce Commission approval.

The issue is part of a proposed aggregate principal amount of not more than $18,135,000. In addition to the series Q certificates, the railroad plans to sell, from time to time, but not after June 1, 1948, additional equipment trust certificates all of the same form, tenor and dividend rate, to finance 80% of the cost of new standard gauge equipment now contemplated to be included in the trust and estimated to cost not less than $22,668,750.

The CIO and the Little Steel Formula

(Continued from first page)

I must confess to you that being invited to address this convention is really a great honor to me. It is a great opportunity to be able to speak directly to the delegates of the National Maritime Union who are really part of the CIO rank and file. That is an opportunity that comes rarely to those who have to spend most of their time in Washington dealing with people who even more rarely meet anybody who works for a living, and it is only when you get a few breathers and a little refreshment, such as coming to the National Maritime Union convention, that you can bear and tolerate some experiences you have to meet when you encounter the officials in the City of Washington.

I'd like to spend a little time here with you today and, I must confess, not swinging any fancy words. I want to talk to you directly on what our problem has been during the past year or two, and this very important issue of wages and standards of the workers, and then see what we have to plan for the months ahead in order to accomplish that which we believe necessary to achieve the real thing, of why we are fighting this war and what we expect in the years to come. I am not going to pull any punches; I am going to speak very frankly, in terms of what we have attempted to do, where our weaknesses have been during the past year or two, either on the part of the leadership and also on the part of the rank and file, on this very important question.

About a year and a half ago the Steel Workers' Union initiated a campaign to break the Little Steel Formula. In addition to that—I want to speak to you here today, before I am through, of something else—namely, the demand for an annual wage. We started wending our way through the negotiations with the steel corporations and it was nothing more than wending one's way through a forest. There was nothing there. And then we came to the National War Labor Board. At that time we thought that we were going to have the kind of support that you can get from CIO when it is really mobilized, to push through this demand of breaking the Little Steel Formula. As of that time, namely, about February, 1944, all the commitments that had been made by the Government regarding so-called economic stabilization had not been made. We felt we were entitled to a wage increase, not merely for the steel workers, but for all wage earners throughout the country. Under the economic program enunciated by President Roosevelt in the early part of 1942, we had been promised a few simple things. We were told that prices and cost of living would be kept down. We were told that corporations would not be permitted to profiteer and reap benefits at the expense of the war effort. And along with that, there would be wage stabilization. A program of that description would, of course, have benefited not merely wage earners, but all the people of the country, because if inflation comes we know the first and the hardest to suffer are the workers. They get it right in the neck when inflation comes.

Living Costs and Wages

But by 1944 what did we find? Wages were very adequately frozen. The maritime industry—you were getting benefits of war risk bonuses, etc.—your wages had been horribly low to start with, so you got some increases. But in most other industries, we didn't enjoy those increases. Our wages were completely frozen. The cost of living—well, the experts in the Bureau of Labor Statistics told us the cost of living had been stabilized. They looked over all their figures and charts and said the cost of living is not going up. Well, they said, maybe something like 20 odd per cent. We made our own study in the City of Washington, not according to slide rules; we sent a whole slew of investigators, representatives of the unions, out in the field, going into the homes of the wage earners and asking them: "Now, how much do you make and what do you spend it for?" Well, we found that the cost of living had not gone up 20%, as they told us in Washington, but had gone up 45%; this was by the middle of 1944. We found that when a man went out to buy a work-shirt—not today but at that time—he could not buy that $1.50 work-shirt he was accustomed to buying. He had to pay $2.50 to $3 for a work-shirt. Now, of course the Bureau of Labor Statistics said: "But the price has not gone up for work-shirts. He is just buying one of better quality." But that poor worker in the steel town—maybe if he found that shirt he would pay less—but he could never find it. All he knew was the only shirt available for him, if he wanted to go to work, cost $2 to $2.50 or $3. Call it what you want—that's an increase in his cost of living.

The black market which was rampant at that time—the Bureau of Labor Statistics said: "Why, we just can't measure that. That's illegal stuff. So that is not taken into consideration when we measure the rise in the cost of living." But the fact that the wage-earners had to pay those higher prices to get something, to get a shirt so they could work—as far as the wage-earners, the workers, were concerned—that was an increase in their cost of living. And when he bought that work-shirt I was talking about, or work gloves, or any work clothing—talking about improved material, he had to buy three times as much work clothes as he ever did before because they were used up that much more quickly. What there manufacturers were doing was giving poorer material, calling it fancier stuff, and charging more dough. That's what was happening to our cost of living.

What about profits? This is 1944. We found a few very simple facts, just by going to the record in the OPA. These are not records of the CIO, but records of the OPA and Treasury Department and the Department of Commerce. We took their figures. In the face of frozen wages, rising cost of living, here's what these poor corporations were doing: They were supposed to be kept to their peace-time average of net profits before taxes. In the peace-time average, which was the period of 1936-39, all the corporations throughout the country earned in profits, before taxes, about 4½ billion dollars, net profit. For 1944 their net profits—these corporations who were supposed to have been stabilized with their profits—earned in 1944 24½ billion dollars. Would you mind being frozen that way—from 4½ billion to 24½ billion dollars?

"Of course," they say, "but that's before taxes. We have practically been taxed out of existence," they argue. So we took their figures, their profits after taxes. It was that last tax bill in 1944, you know, that President Roosevelt vetoed and Congress passed over his veto. That tax bill of which President Roosevelt said: "This is a bill providing relief, but not for the needy, but for the greedy."

That's proven by these figures. For the peace-time period, the corporations earned net profits, after taxes—this is what's available for salaries, dividends and their reserves—about three billion dollars. And they earned in 1944, after taxes, after the tax bill had gotten through, instead of three billion dollars, they earned 10 billion dollars. That's not doing so badly, either, is it?

There we were faced with the cost of living rising every month more and more, wages frozen so fast you could not get anywhere past the National War Labor Board, corporate profits—you cannot call it rising, they were just soaring. So, the Steel Workers' Union said: "That's enough. It's time for a change," and we asked for a break in the Little Steel Formula.

Now at that time there were a lot of resolutions passed by different unions. You could go to any local union and talk about a wage increase and get a resolution. No one will oppose a wage increase in a local union. But we got no **effective** support. That's the truth of it. The members of the National War Labor Board, Justice Byrnes—then Economic Stabilizer—members of Congress—when we went to see them, they were not excited. They were not the least impressed with what we were talking about, because the people in the country had not shown any real interest in this problem. Now I suppose the reason for it was that at that time the work week was extended; men were getting higher wages in the sense they were going from the poorer industries into the war plants, making more money by the week, and as long as you had that condition, you could not get more excitement than merely a resolution by a local union. So we got no support. And in the City of Washington, when we went to see Mr. Davis, then Chairman of the National War Labor Board, and talked about these problems workers were meeting in the field, he laughed at us. He didn't take us seriously. He pulled out all these figures about rising income for the wage earners and said: "There is no problem; you are greatly exaggerating." We went to Congress and talked to Senators and Congressmen. We could not get them excited. They were not impressed, and there was not anyone in the City of Washington with whom we discussed this problem who took us seriously during 1944, when we were pressing the steel case.

Now we knew that underneath all this there was a discontent that the problems of the wage earners were not being met. It was easy enough to take the official figures of the OPA, as an example, and point this out: that in 1942, a year when most of the people were employed, when guys were getting more dough, because they were going from R. H. Macy to a war plant and making more dough each week, that in the face of all these facts, in 1942, there were still 60% of all the families in this country earning less than $2,500 a year. Get that. Six out of every 10 families in this country earning less than $2,500 a year. Now what family can live on a decent basis earning less than $2,500 a year? And these six out of 10 families were receiving only 30% of the entire national income. Four out of 10 families—that get more than $2,500 a year—they received 70% of the national income. Now we knew that with that kind of a situation there must have been discontent among the wage earners, that the workers were not getting enough dough to meet their problems, but somehow the rank and file was not being roused, or if they were mad, the leadership wasn't giving them the proper program, wasn't outlining for them just what to do in order to get the objective which they needed to meet their problem.

The War Labor Board's Attitude

The result was what should have been anticipated. At the end of 1944 the National War Labor Board came down with a decision in the steel case. They refused to break the Little Steel Formula. They wrote a very lengthy report for the President, and in that report they said: "Now, from all the statistics we have in Washington"—not a single one of them ever went out in the field and talked to a single wage earner—but from all the statistics in Washington, there is no problem. The cost of living has gone up something, not a great deal, they said. The wage earners' income has increased considerably. They talked about weekly wages having gone up 70% while the cost of living had gone up only 30%. By the time they got through with their report we felt we owed them money and should take a wage cut. They said there is nothing in the cards for breaking the Little Steel Formula.

If you break the Little Steel Formula and give more wages to these wage earners, to the poor guys who get only 30% of the national income, if you give them more dough you will cause inflation, because all they will do will be to go out and buy, buy and buy, and that will cause inflation. And that was the only, the sole, argument that the War Labor Board and everyone in Washington had to oppose the breaking of the Little Steel Formula: that you had too much dough, and giving you some more would be far more than you need, and certainly would be dangerous, and they knew better than you what was good for you. But they said in their report, there is pie in the sky because there will come a day, a V-E Day, after victory in Germany; there will come a day when war contracts will be cancelled. There will be cutbacks, and many will be down-graded in these basic industries, less promotions. The guy now working in war industries will go back to R. H. Macy's, so he will get less than in the aviation factory. They said when that happens, something must be done. "We will have to do something to take care of the problems then."

Well, we fought that report and got nowhere, because again we had not mobilized the CIO behind any change in the Little Steel Formula. Now V-E Day came along and we are having our cutbacks. Over in the basic industries, thousands and thousands are being laid off completely. Countless number of plants are going off the 48-hour to a 40-hour work week and less, and the man being laid off completely has no income at all. The guy going on to the 40-hour week, he is taking a 25% to 30% wage cut right there. And at the same time, along comes your problem, and for the first time, really, you get interested in the wage problem because you are about to take a 30% wage cut, too.

The CIO Takes Action

About a month ago, President Murray, feeling the unrest that was coming up from the workers, convened a meeting of the Vice-Presidents of the CIO, and said: "Now, let's do something about this wage program, because now we have two problems. In the first place, when you give a man a 30% wage cut and he has a 45% to 50% rise in the cost of living, by God, he can't make out. He's not going to make ends meet. He won't have food for his kids or family. He won't have the clothing he needs to get over to his work place, and he won't be able to pay his rent. We've got to do something about the problem. And in the second place, now, more important than ever, we've got to bring to a realistic and practical end all of the talking about a so-called higher level of production and higher level of employment in the post-war period, and give the wage earners the money they need now, so you lay a basis for that kind of a program after V-J Day. And in the third place, President Murray pointed out that it is time we stopped talking and did something about getting improved unemployment compensation benefits on a Federal basis for these workers who are being laid off by the thousands, and will soon run into the millions, and to get unemployment compensation benefits for such groups as the maritime workers who have no protection at all.

Now we announced that program. We sent the program over to each member of Congress. We sent the program over to Judge Vinson, Director of War Mobilization. We sent the program over to the public members of the War Labor Board, and then we directed a committee of the Vice-Presidents of the CIO and myself to call on all of these representatives of government. We first called on Mr. Vinson and we said: "Now, what are you going to do about it?" There is that report of the National War Labor Board that said that come V-E Day, when they start cutbacks and cancellation of war orders, when they start the down grade, when they start the wage cuts on the wage earners, that at that time you are going to do something about the Little Steel Formula. "Now what are you going to do about it?" He said: "Gentlemen, the Little Steel Formula is the rule at present. And I anticipate it shall be the rule for some time."

That was his answer to us. We asked what about the public commitments from all the agencies, the National War Labor Board, that there was supposed to be equality of sacrifice during the war, that you need the money in the bags of the wage earners today to give you the purchasing power to buy the things that will assure us full employment and full production after the war? He said: "We are thinking about that problem. We are discussing it, and I suppose some time we may have some answer, but for the moment it is only in the discussion stage."

The Vinson Report

Now the other day Judge Vinson came out with a report to the President of the United States, making a list of recommendations on what is supposed to be done now to help our industry. But as to what is to be done to wage earners—that is still tied in the sack for some time in the future. As of the moment, there was nothing in that report of Judge Vinson's to give us any sense of assurance that our problem is going to be taken care of. Absolutely nothing.

Then we went and called on Mr. Davis, the Director of the Office of Economic Stabilization. They have plenty of directors and officers around there. If you want to keep busy going from one to another, you can do that full time. We presented the problem to him and asked the same question. What are you going to do about it? He, with the Chairman of the War Labor Board, had drafted that report that gave us those promises. Now, here's the situation: What are you going to do about it? He went into a long, involved analysis. I sat with him about two minutes, and then I was gone. And, as I got it after about half or three quarters of an hour, it added up to this: If you get wage increases now, the corporations that will give you the wage increases will demand price increases, and if we give them price increases we start the inflationary spiral going all over again. You see, before, if you get a wage increase, you would have too much dough, more than is good for you, and you cause inflation. But now, if you get a wage increase, these companies will ask for price increases on the ground their cost has gone up. I got my real lesson there with Mr. Davis, because at that point I asked him this question: How

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House Committee Report On Post-War Military Training

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them to speak on this important topic. All persons desiring to be heard were heard or given an opportunity to present written statements for incorporation in the printed record of the hearings. More than a hundred witnesses appeared and were heard. Among those who testified were representatives of churches and church groups, of educational institutions and organizations of educators, of labor unions and of veterans' organizations, and the Undersecretary of State (Acting Secretary of State while Mr. Stettinius was attending the world security conference in San Francisco), the Secretary of War, the Secretary of the Navy, the chief of staff of the Army, the chief of naval operations and other representatives of the armed services. On a day specially set aside therefor, several members of Congress appeared and presented their views.

Propositions Presented

In the light of these hearings and of the deliberations by its members on this subject, the committee deems the following propositions to be true:

1. The eminent position of the United States in the family of nations is supported by her balanced elements of greatness, one of which is commensurate military power.

2. The future security of the United States, as a sovereign nation, depends upon the continuing willingness and ability of our people to protect, by force if necessary, the principles and ideals which inspired the formation of the world security organization.

3. Because the success of the world security organization will depend upon the continuing efforts and abilities of the member nations to discharge the obligations jointly and mutually undertaken in the United Nations charter, a retrogression by the United States to her previous state of military unpreparedness would defeat the objects and purposes of peace-loving peoples throughout the world.

4. The retention by the United States of a degree of military power, in being or in reserve, adequate to her needs depends upon several component factors, an indispensable one of which is an alert and trained citizenry capable of prompt mobilization to meet and deal with any national or international emergency.

5. It is traditional in the United States that in time of peace our regular or standing armed forces are reduced to a minimum; that in time of emergency our able-bodied citizens of military age join with the regular forces in bearing arms in the preservation of the national security. This tradition should be maintained and preserved.

6. Future military and naval operations, whether they are to be employed in the defense of the nation against aggression or in the implementation by force of the decisions of the world security organization, cannot be conducted effectively by raw recruits or by partially trained men. In view of the technological advances in methods of warfare and of the intricacy of the weapons now in use and to be used, those who will be subject to military service in the future will require thorough training in order to be able to serve their country well and with a reasonable chance of survival.

7. There is no sound or safe basis for assuming that, before a future aggressor strikes, the United States will be given warning and an adequate interval to train her men and build up her military readiness. Yet the safeguarding of world security, if not the survival of the nation, may well depend on prompt and successful participation by the United States in large-scale military and naval operations.

8. It is not feasible to rest the future security of the United States upon a large standing armed force; its cost would be prohibitive; the necessary men to fill its ranks could not be hired in time of peace, and it would be repugnant to the American people.

Scientific Research on Development Required

A trained citizenry is only one of several elements necessary to a respectable military posture for our nation in the post-war period. A program of continuing scientific research and development, recommended by this country on May 2, 1945, is likewise a vital element. A state of convertibility of our vast industrial machine to military production should be preserved. We must have a highly trained regular armed force, minimum in size but with modern mobile strength on the ground, on the sea and in the air. Yet, without minimizing the importance of any of these elements, this committee is convinced that the plan for giving adequate military training to all citizens is perhaps the most vital element of all.

Such a plan is in accordance with our best traditions. Such a plan will not change or regiment the character of our citizens or militarize our people. In the present war, long periods of intensive military training have in no degree altered or impaired the free spirit of the American citizen in uniform. Our national freedom has been indissolubly linked with the valiant performance of our citizen-soldier. Upon his swift readiness to serve in the cause of world peace the nation's future welfare rests. But the time when the citizen could overnight spring to arms, and fight and win, is gone. Nor can he depend on another training interval bought with the blood and substance of allies conveniently placed in the aggressors' path. He deserves a right to prepare himself to serve when and if future need should come, with all the skill in modern methods of warfare that timely and intensive training can provide.

For these and for other reasons your committee, therefore, recommends that the Congress adopt, as a matter of broad policy, a system of universal military training for the critical years ahead. While the committee has limited its consideration to questions of broad policy and has refrained from particular consideration of the ways and means in which such a policy would be put into effect, nevertheless, there are certain convictions which the members of the committee share, derived from the testimony of various groups, which are submitted to the Congress in the hope that they will be of assistance to the Committee on Military Affairs and to the members of Congress in their consideration of specific legislation of the subject.

The System Recommended

Your committee recommends that, in any system of universal military training provided by law, full consideration should be given to these features:

1. It should be designed primarily to train men for military service under conditions of modern warfare.

2. It should conform in its details with the requirements shown by experience in this war and by future technological developments to be necessary to prepare men to serve in the armed forces effectively.

3. It should be universal and democratic, applicable to rich and poor alike, and with a minimum of exemptions or exceptions.

4. It should be fitted into the existing structure of the military and naval establishments as provided for in the National Defense Act of 1920 and other existing legislation or into that structure as hereafter modified by this Congress.

5. It should be consistent with the preservation of the position of the National Guard, Officers Reserve Corps, the Reserve Officers Training Corps, the enlisted Reserve Corps, the Naval Reserve and the Navy Militia as components of the military and naval establishments.

6. It should provide for training of men in youth in such a manner and on such a basis as to cause the least interference with their normal education and careers consistent with the effectiveness of the training program.

Wall Street Seventh War Loan Sales Would Finance Super Air Armada

The greatest air-fleet in history, a Wall Street Armada of 1,988 B-29s, financed entirely by 71,993 Seventh War Loan sales in the amount of $1,192,627,328 by the Wall Street Broker-Dealer Syndicate, has been made possible, F. Kenneth Stephenson, Chairman of the Syndicate, announced. In exceeding its billion dollar goal, the largest quota it had ever undertaken, the Syndicate added 388 B-29s to its original goal of 1,600. Cost of a B-29 is $600,000.

The Syndicate comprises members of the New York Stock Exchange, Curb Exchange and other Wall Street investment groups and

F. K. Stephenson Fletcher L. Gill

is a component of the War Finance Committee's Banking & Investment Division, Director of which is Fletcher L. Gill, Vice-President of the Bank of the Manhattan Company.

Aggregate Seventh War Loan net sales reported by the Banking & Investment Division totaled $6,306,872,168, more than $500,000,000 above the total obtained by it in the Sixth War Loan, and represented a new high of 1,542,078 individual sales. The three leading banks in dollar amount of net sales, according to Mr. Gill, are: Chase National Bank, $866,244,102; Guaranty Trust, $833,144,261; National City, $456,079,167.

The first three banks in number of individual sales are: Manufacturers Trust, 213,208; National City, 212,471; Chase National, 116,181. Savings Banks and Savings & Loan Associations reported a 100% increase in the number of their Seventh War Loan sales over those made in the Sixth Loan.

Leading the field of Syndicate broker-dealers in number of subscriptions obtained were Merrill Lynch, Pierce, Fenner & Beane, with 3,635 sales; second was Kidder, Peabody & Co., with 2,949, and A. G. Becker & Co. with 2,040, was third.

Leading Syndicate firms, other than Government Bond dealers, relating the dollar amount of their sales to number of superbombers commissioned, are: Dominick & Dominick, 51; Dick & Merle-Smith, 47; Kidder, Peabody & Co., 35.

Leading Syndicate Government Bond dealers, also in relation to number of super-fortresses individually financed, are: First Boston Corp., 194; C. J. Devine & Co., 148; Discount Corp., 107. Committee members of the Syndicate, in addition to Mr. Stephenson, are F. Malbone Blodget, Ranald H. Macdonald, Laurence M. Marks, John R. Montgomery and Mason B. Starring.

"The over-all Seventh War Loan net sales of the Division exceeded in all respects," Mr. Gill stated in his final report, "totals of sales by the same community in any preceding drive. This was made possible," he stated, "by all-out, completely unselfish and objective cooperation on the part of the entire banking and investment industry. This drive has afforded," he concluded, "another opportunity for the financial district to re-demonstrate the integral part which it has always eagerly assumed in war financing."

7. It should provide for training only and should not require any character of military service. Service would be required only in the event Congress should in the future order conscription to meet a national emergency.

In this connection the committee would like to emphasize the distinction between "peace-time conscription," a term so frequently used by opponents of this proposal, and "universal military training," the proposal under consideration. In order that there may be no doubt as to what is in the mind of the armed services, the committee herewith quotes verbatim from the statement filed with the committee by Major General William F. Tompkins of the general staff of the War Department on that subject:

"From a planning standpoint the War Department wants to make it crystal clear to this committee that it does not recommend or desire that trainees be inducted into the Army for military service. They should be inducted into training organizations for training purposes only. When the year of training is completed, it is recommended that graduate trainees become members of the enlisted Reserve Corps of the Army for a period of five years, but during that time they are not to be subject to any further compulsory training or service except in the event of a national emergency declared by the Congress."

Your committee further recommends that the Congress give the subject of this report prompt and thorough consideration with a view to determining what course of action should be followed in this particular. It is manifest that those who are charged with the responsibility of planning the composition of the nation's military and naval establishments will be severely handicapped unless and until the Congress, by appropriate enactment, defines the future policy and thus lays the predicate for an orderly transition from the war-time to the peace-time military organizations. Moreover, your committee is convinced that timely adoption of the principle will provide assurance to the United Nations that this nation expects to retain the necessary military strength to stand behind and make to work the idealism which has inspired the Dumbarton Oaks and the World Security conferences.

Tariff Bill Signed

Legislation providing for extension of the Reciprocal Trade Program and for vast new tariff-cutting authority for the President, was signed by President Truman on July 5, according to advices on that date from Washington by the Associated Press, which continued:

The law, written after bitter party-line battles in Congress, permits the trimming of some duties as much as 75% below the rates of the last Republican tariff act—the Hawley-Smoot law of 1930.

State Department officials said that the new powers would permit a return, on an average, to the tariff levels of the Woodrow Wilson administration's Underwood tariff act.

Specifically, the bill signed by the President permits him to cut tariffs up to 50% under the rates prevailing Jan. 1, 1945. Under the old reciprocal trade act of 1934, the President could trim duties as much as 50% below the Hawley Smoot rates.

On those items already reduced 50% the President now has powers to bring them 75% under the Hawley-Smoot level. However, the State Department said the reductions would be on a selective basis, calculated to build world trade with the least possible impact on American industries needing tariff protection.

(Passage of the trade extension bill was reported in the "Chronicle" of June 28, page 2879.)

McCarran Single Airline Bill Rejected

The bill sponsored by Senator Pat McCarran (D.-Nev.), to set up one single American company to handle international air commerce, was rejected by the Senate Commerce Committee by a tie vote of 10 to 10, the Associated Press reported from Washington, July 6. The committee also rejected, 10 to 9, a compromise proposal from Senator McCarran to set international lines apart from domestic companies. Committee Chairman Josiah W. Bailey (D.-No. Ca.) was a vigorous opponent, stating that so far as he was concerned the present aviation law was satisfactory and that there was no need of amending it.

Farm Cooperative Group Urges Consolidation of Fed. Credit Agencies

Appearing on June 15 before the House Agricultural Committee, which is considering the Flannagan Federal Agricultural Credit Reorganization Bill, John H. Davis, Executive Secretary of the National Council of Farmer Cooperatives stated that immediate consolidation of all major Federal agricultural credit agencies is necessary to stabilize American agriculture in the post-war period.

"Representatives of the farmer cooperatives believe that independent, self-sustaining agricultural credit facilities are as necessary and vital a part of our national economic structure as are the Federal Reserve and national banking system," Mr. Davis declared. He praised the stated aim of the bill which is "to promote a system of agricultural cooperative credit banks and associations and cause them as soon as possible to become producer-owned and producer-controlled." "Any financial or business system, to be supported by farmers, must be decentralized in operation and provide for democratic controls," Mr. Davis told the committee.

He predicted that the reorganization of Federal farm credit facilities would be a powerful factor in preventing the "periodic inflation and succeeding liquidation of farm property". Assistance he asserted should be given to farmers who "are in a position to make genuine steps toward security, and are not frozen in marginal or sub-marginal farming opportunities or burdened with impossible debts". After the war agriculture cannot become a "spillway for over-flow unemployment", Mr. Davis warned.

Senator Scrugham Dies

The death of United States Senator James G. Scrugham (Democrat), of Nevada, occurred in the San Diego (Cal.) Naval Hospital on June 23. He had been under treatment there for a heart ailment since March 30. San Diego advices to the Los Angeles "Times" by one of its correspondents stated that Senator Scrugham was elected to the Senate Nov. 3, 1942, to fill the unexpired term of the late Sen. Key Pittman.

The CIO and the Little Steel Formula

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could you justify giving price increases to corporations that made four billion dollars in 1936-39 annually and today are making 25 billion dollars? How on earth can you justify giving price increases? He explained to me, and this was my lesson, he explained to me that of course no price increases would be justified, but that they, the corporations, had the political pressure on Congress and on the OPA; that neither Congress nor OPA can resist them if we get a wage increase, and they came with a demand for price increases. That was my lesson, because nothing could be made clearer to me, and I hope to you, that we have gone down in our political action.

That is where the whole problem rests. Because Mr. Davis clearly said that in the face of the figures, in the face of these extortionate profits of these corporations, not only are they not entitled to price increases, but in order to actually stabilize the cost of living their prices should be shaved down, so that their profits are nearer four billion than 24 billion dollars.

We got nothing out of Mr. Davis. So we went over to the National War Labor Board. We went to the public members of the National War Labor Board. I don't mind telling you, every time I have that experience it is a pretty horrible one. I have not found any persons who are supposed to meet the real problems of the day, who are less realistic and less appreciative of what is going on in the country than the public members of the National War Labor Board. They sit there in their ivory tower, handling these cases one by one, and with an eyedropper they drop something out every now and then to a group of workers to take care of a little inequity or a so-called fringe issue. But when you come there and try to explain the resentment that is being caused, and entertained, by the wage earners of the country, through the unfair treatment they are receiving, how in the typical steel or auto town, they can see how their wages are frozen, they can see how their cost of living is rising, and every day they can pick up a newspaper and read about the financial statements of the corporations and see how the profits are going up and up and up. And you try to explain these problems to the members of the War Labor Board, and it is just like talking to the wall. You make absolutely no impression. But nothing. You talk to them about lifting so-called substandard wages. Under the Executive Order of the President of the United States, the National War Labor Board has **complete and absolute authority.** There is no limit on its authority to fix a wage which will eliminate any sub-standard wage.

Until the textile case come through a few months ago, the so-called wage to eliminate substandard wages was about 40 cents or 45 cents an hour. In the textile case they fixed it at 55 cents an hour. Now, I'd like to see any one of the public members of the National War Labor Board, together with his family, live on $22 a week, and see whether he would call that a decent standard of living, and yet that is the level at which they fixed the so-called sub-standard wage. Now, they could fix 60 cents, 65 cents, and 70 cents an hour as the minimum wage for any worker throughout the nation, and they have the authority to do just that thing. You have your case before the National War Labor Board. You are asking for a decent wage so as not to be in a sub-standard category. The National War Labor Board has the complete authority to meet the problem. What do they do? They run away. They say they just don't dare tackle that kind of a problem, so they recommend that legislation be enacted by Congress lifting the minimum wage from 40 cents to something higher.

Calls for 65 Cents Minimum Wage

Mr. Vinson, the other day, in his report, suggests that Congress enact legislation fixing a minimum wage of 55 cents an hour. Now they know, as well as we do, that the realistic chances of getting legislation through Congress at the present time with the control exercised by these poll taxers of the South, are extremely slim. They know that the problem of lifting the sub-standard wages cannot be met within any reasonable period of time by going to Congress for legislation. And we should not accept as a solution, approaching Congress for that legislation. We should have as part of our program an attack at the National War Labor Board and Mr. Vinson—they have the authority, they exercise it, and they should set a minimum wage for any worker throughout the country of at least 65 cents an hour.

Well, we left the members of the National War Labor Board in about the same stage of perplexity, confusion, as we did when we left Mr. Vinson and Mr. Davis.

All we could extract from our conversation with them was that it was in the discussion stage. That's a favorite by-word in Washington. If you want to decide nothing, you say to someone: "Give me a moment," or "Let's discuss it," and that's about where it rests.

The Annual Wage

Now before I approach the issue of what to do about this thing, I want to raise another problem with you, a problem that runs right to the heart of all of our questions, all of the economic security, that we want to solve in some fashion, and that is the issue that was raised by the steel workers back in 1944 of an annual wage. We posed our question very simply in our case. We said to these steel corporations: "The steel workers want something that is very simple. They want 40 hours of work and 40 hours of pay for every single week in the year. It is just that simple. And we want a guarantee in our contract that all the employees covered by the contract are to be guaranteed they will get 40 hours of pay at their regular rate for each of the 52 weeks in the year." They threw their hands up in horror, "How on earth can you do that? We will go bankrupt. We know the days, no longer back than 1937, where we were down to 17% in the steel industry, and we may return to that kind of a condition. You want us to guarantee all those men who won't be working that they will get their regular rate of pay, whether they are working or not?" and we said: "We are not fighting this war, we are not out to destroy Nazism and Fascism throughout the world, in order to have you permit in this country a return to the conditions of 1937 after the war." We said: "That's not a fancy idea just on the part of the steel workers and on the wage earners as a whole. Let's call your attention to something which we unearthed by looking through some legislation—which I will mention in a moment—and some documents hidden in the Republic Steel Corp., this annual wage. It is nothing new to us." There is a man named Girdler, President of the Republic Steel Corp. There is a guy who adopted a real, honest-to-goodness annual wage. He has a contract with the corporation that if he retires, he gets for the rest of his life, not only while he is working, $65,000 a year. That's not bad, it it? He went one step further. There is a provision in the contract that if he gets fired because he has done something the corporation does not like and he gets fired, he gets for the rest of his life $35,000 a year. We said that's the kind of annual wage we'd like to get for the wage earners.

That's not all. Back in 1942 we had occasion to read these tax laws carefully—not only recently, when they get down to taxing people making $600 a year did we get an interest in taxes— but in 1942, in a long, complicated tax bill which no one read, except the corporations and their tax lawyers, there was a little provision, and it's a honey. It establishes the best kind of annual wage you ever heard of. Here's what it does: I will give it slowly, because it's a lulu. It works this way: Any corporation is guaranteed, for two years after the war, that if it loses, if it doesn't make money in those two years, it goes to the United States Treasury Department and gets a check to make up for all its losses. And if it makes money, some profits, but the profits are not as large as they were in 1936-1939, they get back about 60% to 70% in a check from the United States Treasury of those profits. Let me give you an example: If the United States Steel Corporation had made continually in that peace-time period, 1936-1939, about 44 million dollars annually net profits, that is, after taxes; if the United States Steel Corporation were to just break even this year—they don't lose or make any money—they don't have to worry. They go to the United States Treasury and file a piece of paper, and the United States Treasury makes out a check to the United States Steel Corporation, in that case, for 60 million dollars.

Now, each one of the corporations that own ships has got the full benefit of this law I am telling you about. That means that for the steel industry, for the auto industry, for any one of these large basic industries where the corporations decide that it is time to destroy the unions, they can close down their plants or they can run them on part time, and give us real unemployment, and not worry about you because you and all your fellow workers are either hungry or living on miserly unemployment compensation. They go to the United States Treasury and get back their profits. That's what you have in that tax law.

Now, as if that isn't good enough. Just the other day, the House Committee on Ways and Means introduces a bill which ostensibly is not to change any of the tax laws. They don't want to give any relief to the corporations on the ground they cannot cut taxes, but they simply provide that this money I am telling you about, instead of waiting for two years after the war, can be gotten by them now. That little tax bill introduced by the House Ways and Means Committee the other day does just that. They don't even have to wait for the money. They get it right now. And it is estimated that this will give them an additional minimum of five billion dollars in their treasuries to tide them over the so-called reconversion period.

We told the public and the country about this tax law, but I must confess, and I think you will, too, that our job was not very effective because I am sure there are many delegates sitting here today who do not know about that tax law. But we pointed out that that's the kind of annual wage the steel and auto workers want. That if they don't have a job to work in the plants, they want to be sure they have a wage just as these corporations want to be sure, that not only do they make up for their losses, but make up for their profits as well, so that they can run 10-15-20% capacity, knock off employees, and still end up with a profit. And mind you, that money that they get from the United States Treasury is tax free. They don't tax them on that. When they did that job, they went through it in real thorough fashion, and we said, if these corporations are entitled to an annual wage, if Tom Girdler can fix himself up the way he did, not only when he was working but for the rest of his life, the least we are entitled to is also a minimum guaranteed annual wage.

Now, there are the problems that developed during the past year and a half. You know how far we got. We didn't break the Formula. We didn't get our annual wage, and as of the present moment, we are having cutbacks and wage cuts, and as I have described it to you, for the moment there is no immediate outlook for change in the national wage policy. The question, therefore arises, what are we going to do about it? What are we to do about this problem?

Now the conditions in this country, the framework with which we are operating is such that there is no question but that the people as a whole in the nation, labor and the progressive groups, do not favor the policies that are in operation today. The reason I feel confident of that conclusion is simply this—and we should bear these two things in mind. In the first place, let's not forget that it was the common people that won the election of November, 1944. When we mobilized the people then behind President Roosevelt and his policies, both on a domestic and international basis, we won the election. It was not the Rankins who won the election. It was the people who won November, 1944.

Secondly, let's not forget that after a few years of the most gruelling kind of experiences, it is Hitler who was finished and not democracy. In other words, it was Hitler who was completely smashed in Germany. Now, that was not done by the Rankins, the Howard Smiths or by these large corporations. I have not forgotten that in 1941, right after Pearl Harbor, the automobile industry refused to convert. They kept on making automobiles because it was more profitable to make autos than tanks, until they got the proper price for the tanks they were going to make in this country. It was while the seamen were on the boats being torpedoed and killed that the big corporations haggled about prices for their tankers. It was not they who pitched in and fought the war. It was the common people who did. And we won the war as far as Hitler is concerned.

Let's bear these two things in mind, because all too frequently we get discouraged when we find out that we cannot get from Congress immediately what we want; or we meet a rebuff from the people in Washington when we take for granted that's supposed to be that way, that the powers that be are too strong for us. But it was in 1937, when we organized the CIO and the National Maritime Union came into being. They were not there in 1944 when we fought the fight to re-elect Roosevelt. And they were not strong enough when they tried to stop the growing unity behind the United States, England and the Soviet Union to smash Hitler. And in the face of all those conditions, we can feel confident that if we set out to do a job with a program, we can win on this wage front as well. It won't come easy. At the moment, the real job remains with the rank-and-file. That's where it has to be done.

Political Action Taken

President Murray has sent out a letter to all of the Presidents of the CIO unions, to every single local and State Industrial Union Council, outlining this program, and suggesting that in every single community where there are CIO members they have mass meetings of the shop stewards, of the membership, to mobilize, first, the full strength of the CIO behind this program, and when we have done that, and while we are doing that, to get together with the other groups in the community, such has the AFL, Brotherhoods, the Negroes, the churches, and the local public officials who are sympathetic with our problem; mobilize their support and see to it that from the bottom up there will pour into Washington and to the members of Congress, and to the public members of the National War Labor Board, to Mr. Vinson and to President Truman, that the people are demanding a change in this national wage policy. Now, in asserting our program, let's not reduce it to any narrow sectarian line. It has not that in mind. Our program is one that is designed to act in the interests of the entire nation because what we urge is very simple. We are saying, first, in order to have the workers meet their problems today of the rising cost of living, to give them the basis for the purchasing power, to assure full production and full employment, there must be (1) an immediate rise in wages of at least 20%, (2) there must be established a minimum wage of at least 65 cents an hour, and (3) we insist that there be no wage cuts. We are not in 1945 going to take wage cuts, and by wage cuts I mean that if your hours are reduced you should get the same pay for the lesser number of hours, and if you are changing over in a plant from one kind of work to another, the employer cannot say, "I have got to give you the wages you got in 1942 for this peacetime product." We are going to keep the wages we have today, and our slogan should be "NO WAGE CUTS," (4) we want immediate enactment of Federal legislation that will grant unemployment compensation benefits in addition to those the men get from the States to meet the burning issues of today with the mass layoffs, and that will also grant unemployment compensation for groups such as the maritime workers who have no protection at all today.

Now, that program is not one just designed for the CIO or merely for wage earners as a group. We have got to impress all the people, but only after we have mobilized the full strength and support of the CIO that the program is designed to protect the interests of the entire nation.

It is not these large corporations that are taking all this money on the national income who are going to protect the interests of the nation, but it is the common people, and primarily those who are organized in the unions, who understand the problem best of all.

Now, in pushing our program, there is always going to be the temptation that it is so easy to get it changed by strikes. All you have to do is just to threaten to strike and come to terms, because conditions are such that the Government usually quails and weakens before strikes. That's true. The Government officials do weaken in the face of strikes. There's no question about that. That's what makes it so horrible to deal with some of those officials in Washington. That's no answer for us, because one thing is clear, that until there is final victory over the Japanese, our slogan still must be, not merely in words, but in deed, "There shall be no strikes."

Of course, that may seem the harder way. It is so much harder to go down that path than it is to just strike and get your demands. But whether it is harder or not, how can anyone who reads the papers, as you do, see the wounded and dying on the battlefronts, as you, as no other group outside of our warriors themselves see, even contemplate for a moment that there shall be a stoppage of work until there is complete victory.

I know there is plenty of provocation from the employers. Sure. Because they want us to strike. They are laying the basis and groundwork for our destruction. That is what they want, and in their sure way they are out to destroy the labor movement in this country, if we drop or renege for a moment on our no-strike pledge. But, on the other hand, it is not really so difficult, instead of going down the path of strikes, to pursue the path of political action to get the objectives which we and all decent-minded citizens in this country want today. It is not so difficult. We proved in 1944 that the CIO and its membership understand what political action really means. We demonstrated that we understood what that meant, just as we knew what it means to organize in the trade unions in 1937.

We demonstrated that we could enlist the support of other progressive groups by mobilizing the entire nation behind President Roosevelt. That is the task that we have today. Never before has the need for political action been as strong, as poignant, as it is today. It was easier in November, 1944, when you had as a symbol President Roosevelt. Today it is more difficult. It is not a case of election. It is with regard to specific action which Congress must take, that the public officials in Washington must take. But the medium remains the same.

If the people in the country become determined to get a change in the national wage policy, and with that if we teach the common people there is tied in the demand not for the future but for today, of full employment and full production through the reconversion period and into the post-war, I am convinced, as are all the leaders of the CIO, that nothing can stop the CIO and the common people from marching forward to a decent world, one full of peace, unity in this country among progressive groups, unity among the nations of the world, so that we really can have freedom and democracy.

Karl H. Lehman Elected by Schroder Banking

Karl H. Lehman has been elected Assistant Treasurer of J. Henry Schroder Banking Corporation and Schroder Trust Company, 46 William Street, New York City, it is announced.

Export Freight Up 9%

Export freight, excluding coal and grain, handled through United States ports in May totaled 185,722 cars compared with 170,487 cars in the same month last year, an increase of 9%, according to the Manager of Port Traffic of the Association of American Railroads, who further announced:

Export grain unloaded at the ports in May totaled 16,821 cars compared with 3,443 in May, 1944, a gain of 389%.

Railroads handled 901 carloads of coastal freight in May, 1945, compared with 410 in the same month of 1944, a rise of 120%.

The total of 203,444 cars of export and coastal freight, excluding coal, handled through the ports in May this year represented an average daily unloading of 6,563 cars. This was the fourth consecutive month that average unloadings have exceeded 6,000 cars daily.

Halsey Stuart & Co. Offers Texas & Pacific Bonds

A group headed by Halsey, Stuart & Co., Inc., was the high bidder July 11 for $39,000,000 Texas and Pacific Ry. general and refunding mortgage bonds, series E, as 3⅞s. The bonds, due July 1, 1985, were immediately reoffered, subject to Interstate Commerce Commission approval, at 100½% and accrued interest from July 1.

The proceeds from the sale, together with treasury funds needed, will be applied to the redemption of all the company's $40,956,000 outstanding general and refunding mortgage 5% bonds. These comprise $14,252,000 series Bs and $16,704,000 series Cs, to be redeemed on or before next October 1, and $10,000,000 series Ds, to be redeemed on or before next December 1. The company holds in the treasury an additional $6,730,000 series D bonds which it will agree to surrender for cancellation, but will receive the right to issue, at its request, $6,000,000 of general and refunding mortgage bonds of one or more series other than series E.

The Texas and Pacific Ry. operates 1,884 miles of railroad, the principal lines of which are from New Orleans to El Paso, from Marshall, Texas, to Texarkana, Texas, and from Ft. Worth, via Sherman, to Texarkana, Texas. Abilene and Dallas in Texas, and Shreveport and Alexandria in Louisiana, are other important centers served.

A Stifling Tendency

(Continued from page 187)

This method of keeping NASD membership at large in ignorance of executive purposes arouses our antipathy.

Clearly the "two years" study which gave rise to these recommended amendments was undertaken with certain specific objects in view. What are these objects?

What would be done with these new self enlisted powers if compulsory registration became a reality? How much control will a man retain over his own employees? How much control will the NASD assume and along what lines?

Will the compensation of salesmen continue to be the subject of contract, or will its measure be fixed by some regulatory fiat? How about the soliciting of customers, will that be contrary to the "professional" status with which the securities field is to be daubed?

And traders, how are they to be converted into "professionals," and why?

Characterizing the services rendered by over-the-counter dealers as of a "professional nature," Mr. Fulton goes on to say:

"This professional recognition rightly should be enjoyed not only by firms themselves but by the individuals engaged in the business."

Tricky words, we call it. We have heard no clamoring amongst the rank and file for this doubtful recognition, and speaking of professional care, the proposed remedy may result in many demised patients.

Remedy for what?

Here we have it in the words of Mr. Fulton:

"It means, also, that those few individuals whose practices do not conform to standards commonly observed in the financial community are to be subject to more careful scrutiny and surveillance."

Observe the sequence of events.

Based upon an alleged claim that it is without knowledge of the practices in the securities field, the Governors of the NASD burdened its members with an elaborate series of questionnaires, ostensibly to gain that knowledge.

Supplied with the answers, Mr. Fulton now tells us that a few individuals do not conform with the commonly observed standards. Isn't it a fact that in the absence of Utopia, regardless of the law, this will always exist?

The vice of the proposed amendments lies in that they are calculated to regiment all pertinent employees, traders, partners, and officers of member firms. They penalize on a broad scale the innocent for those few who may be guilty, when as to the latter the law is sufficient and adequately implemented to bring them to justice.

Bad as is the present harnessing of member firms to monopolistic practice and special privilege as a result of the Maloney Act, the falseness of the claim of voluntary joinder will become even more alarming should compulsory registration succeed, since it involves large groups whose views and consent have not been solicited, much less obtained.

If it can be said—and we say it—that members join the NASD so that they may get the discounts from existing members which would otherwise be denied them, in other words, that they aim not to be relegated to the prices charged the general public, how can it be true that such action is voluntary? Isn't that special financial consideration a compelling force, a form of duress by necessity?

If, cumulatively, there is enforced registration without the consent of the registered, all semblance of volition is annihilated.

As we regard the securities field, nothing in its present conduct justified such extremity.

Our effort is to alert all member firms and their personnel. Some of these firms may have no salesmen, others no partners, still others no officers, and hence feel that in some respect they are not immediately involved. They are all in it. The problem concerns the whole industry and its components should make common cause against it.

Erase this tendency, which is but another cog in the stifling of our free institutions.

Here they are, the bane of our existence by which our liberties are being imperiled—REGULATION, REGISTRATION, and REGIMENTATION.

A. G. Becker & Co. Offers Gerber Products Issues

An underwriting group headed by A. G. Becker & Co., Inc., of Chicago, on July 10 offered to the public 15,000 shares of $100 par 4½% cumulative preferred stock and 54,694 shares of $10 par common stock of the Gerber Products Co. at $103 and $18 a share, respectively. The company produces foods for babies.

Proceeds of the financing will be added to general funds, in preparation for a $925,000 expansion program, of which about $225,000 is expected to be spent in the current fiscal year. Plants are at Fremont, Mich., and Oakland, Calif.

The new preferred stock is subject to redemption in whole or in part at $106 a share until June 30, 1950, and at prices declining thereafter. It will have the benefit of a sinking fund equivalent to $2.50 a share annually beginning in 1948.

A quarterly dividend of 21¼ cents a share has been declared on the common stock, payable Sept. 30 to holders of record Sept. 10.

Wanted: Cats & Dogs By Denver Dealers

The Rocky Mountain Group of the Investment Bankers Association of America and the Bond Club of Denver will hold their Annual Frolic in Denver on Aug. 17, at the Park Hill Country Club. As usual the Frolic will feature the Jackass Derby and a complete rodeo. In the past many dealers throughout the country, have sent in their "cats and dogs" to be distributed as stock prizes for the winners in the various events. "All we ask," said Earl M. Scanlan, Chairman of the Rocky Mountain group of IBA, "is that you send us a 'cat or dog' that is still living and which does not have a present total value of over $10. We prefer those with growth possibilities."

So if any dealer wishes to contribute a prize he should send his "kittens or pups" to Earl Scanlan or to Ernest E. Stone, President of the Bond Club of Denver. These prizes will be awarded the winners on behalf of the donors.

Halsey Stuart Group Offering Portland Elec. Issue of $34,000,000

Halsey, Stuart & Co., Inc., headed a large group of underwriters that offered July 11 $34,000,000 Portland General Electric Co. first mortgage bonds 3⅛% series due 1975, at 102.41% and accrued interest from July 1. The group won the issue at competitive bidding on July 9 on a bid of 101.177.

Net proceeds from the bonds, together with $4,000,000 to be received from a bank loan, and other company funds, will be applied to the redemption on next Oct. 1, at 102%, of all the outstanding $39,565,000 first and refunding mortgage gold 4½% bonds. The bank loan is a 2% loan for ten years.

The bonds are regularly redeemable at prices ranging from 105.95% for the period ending June 30, 1946, to par for the 12-month period beginning July 1, 1974. They are also redeemable for purposes of the sinking fund or replacement fund and in other special cases at special redemption prices ranging from 102.50% for the year ending June 30, 1946, to par for the last year.

Goldman Sachs & Co. Offers Champ. Paper Secs.

Offering of $13,000,000 3% debentures due July 15, 1965, at 102½% and accrued interest and 100,000 shares of $4.50 no par cumulative preferred stock at $105 per share and accrued dividends of The Champion Paper and Fibre Co. is being made today, July 12. Goldman, Sachs & Co. heads an underwriting group that is offering the debentures and the company is offering the preferred stock in exchange for outstanding 6% preferred. Any shares of the new $4.50 preferred not issued in exchange will be purchased by the underwriters.

Net proceeds from the sale of the debentures will be used to redeem $10,500,000 of 3¾% first mortgage bonds due 1957; to prepay $650,000 of notes due in 1946 and 1947; and the balance, together with treasury funds, will be used in connection with the exchange and redemption of the 6% preferred stock.

Holders of the 6% preferred, until July 19, may exchange their shares for new $4.50 preferred on the basis of valuing the former at $110.93⅓ per share and the new preferred at $105.31¼ per share. Allocations will be made if more 6% shares are deposited for exchange than there are new preferred shares available and any $6 shares not exchanged will be redeemed at $110 and accrued dividends.

SEC Holds Meeting

(Continued from page 189)

bond buyer ought to have a pretty good idea of both sides of the market. The big municipal buyers are apt to know all that needs to be known. When you get to the occasional purchaser, or trustee, it seems to me only fair that he should know what the market is. The SEC feels that the same assurance of validity of price will exist for municipals as now exists for non-municipals. You (the dealers) don't want anything. We (the SEC) want something. But we don't know just how to do it."

Chairman Purcell invited suggestions from the industry relative to rules which the SEC might promulgate to regulate trading in municipal bonds. Those present were told frankly that the SEC knows it wants to do something, but doesn't know how to do it. Chairman Purcell suggested that some of the visitors might, following the meeting, set down in writing recommendations for the benefit of the SEC, and Representative Wolverton, at whose suggestion the meeting had been called, said: "Any general conclusions that constituted advances on the problem would help." Such recommendations will be prepared on behalf of the Investment Bankers Association and the Municipal Bond Club of New York.

David M. Wood, toward the close of the meeting, expressed disappointment with its accomplishments, but Mr. Purcell objected, saying: "I don't agree with that. I think we have got quite a lot out of this meeting."

Sees "Disclosure Rule"

While the discussion was almost entirely confined to the effects of the proposed Rule X-15C1-10 and alternative approaches, B. Winthrop Pizzini of the National Security Traders Association expressed his opinion towards the end of the session that "the SEC would like a disclosure rule on corporate securities," and he wanted the SEC to understand that its efforts in that direction will be "unalterably opposed."

Summarizing for the Municipal Finance Officers Association of the United States, Joseph F. Clark of Chicago said: "We strongly oppose the proposed rule because we believe there is no recognized market for municipal bonds."

Mr. Purcell told the group that the SEC "would not want to advocate any rule which would hamper municipal finances, unless it was for the purpose of preventing widespread fraud," but Mr. Clark expressed apprehension that "if the SEC adopts this rule it is an opening wedge to encroach on municipal finance, to control the secondary market," and he added: "We don't like it. We're fearful of it."

One of the private participants of the discussion stated plainly that the municipalities would need to be convinced that the frauds in this field of securities marketing are sufficient in number to justify setting up new SEC machinery, before they will support such machinery.

Want to Be Consulted

Several persons present at the meeting called the SEC's attention to the fact that the original proposed Rule X-15C1-10 had been circulated without previously consulting those leaders of the industry who should have been consulted and who are now belatedly being consulted. For example, David M. Wood said he knew of no municipality, no investment banking association, or no municipal bond club which had been consulted by the SEC prior to circulating the proposed rule. "I haven't found anyone who was consulted," he added. Thus it would appear the SEC in this matter committed the same error of diplomacy which was made by the Treasury in the early stages of planning an International Monetary Fund and Bank.

The SEC made it clear that it now wishes to take counsel with the industry, and spokesmen of the IBA, the National Security Traders Association, the Municipal Bond Club of New York, and others, in turn expressed their wish to consult with the SEC on any proposed rule affecting the business of their respective memberships.

Weigold Sees Competition Stifled

The brunt of presenting the industry's views during the meeting was borne by Charles E. Weigold and David Wood, speaking on behalf of the Municipal Bond Club of New York, but each of these was staunchly supported at one point or another by virtually all of the SEC's guests. In his summary Mr. Weigold told the SEC representatives: "We are right back of you for prosecuting fraud. I am not in favor of the suggested rule that Mr. Treanor proposes. I can see any number of doubtful cases. The proposal will do a tremendous amount of damage. It will stifle completition. The present system of municipal bond trading is a fine system, with prices hammered down competitively. You want as much buying power in the market as possible."

Mr. Treanor suggested that perhaps a way around the objections being voiced to compulsory disclosure in the case of all municipals would be to require dealers to inform customers of quotations "as reported in some public source like the 'Wall Street Journal.' A rule might well say that the principle is carried out if that is done." Mr. Treanor said he was "simply confining myself to publicly quoted issues."

Mr. Weigold then asked: "Then what would you do with other bonds?"

"I don't know. I hoped the industry would suggest a simple method," Mr. Treanor answered.

"What bickering would be brought forth," commented Mr. Weigold. "You'll lower competition."

"I know dealers who say the market will be much stronger," Mr. Treanor answered, and then he asked: "How are municipals different from any other security?" When Mr. Weigold pointed out the differences, Mr. Treanor said: "I don't want to cover the water front." In suggesting a rule to cover only part of the field, Mr. Treanor said he had in mind "learning and applying gradually," to which Mr. Weigold rejoined: "It seems to me you are going on a fishing expedition."

Mr. Treanor maintained that many people do not realize that it is today illegal to sell a security at a price not in reasonable relationship to the current market. He cited two criminal law cases: Charles Hughes & Co., and U. S. *vs.* Pandolpho, in the Tenth Circuit Court of Appeals.

Question of Market Value

A. G. Davis of Chicago, speaking for the Investment Bankers Association, repeatedly raised the objection that "market value"—the SEC's criterion—and true value "are two different things." But Mr. Purcell disagreed with this, saying that there is only one value, the "market value." The Chairman held that the SEC's rule would have a two-fold purpose: It would serve as a basis for injunctions and it would serve for revocation of the licenses of registered dealers.

Mr. Wood objected to burdening some 99% of the industry in a futile effort to prevent 1% from committing fraud.

When pressed as to how many dealers in municipals SEC has prosecuted for criminal fraud, Mr. Treanor said: "Only two cases in municipals."

Despite the fact that the IBA had not been consulted until after public circulation of the proposed Rule X-15C1-10, Mr. Davis said he wanted it known that since then the IBA has "worked at it in good faith, although we have not been able to discover a formula."

Those Present

No member of Congress was present, but in addition to representatives of the SEC, those present at the meeting included the following:

Hazen S. Arnold, Chairman, Municipal Committee, IBA; A. G. Davis, IBA, Chicago; Dudley C. Smith, IBA, Chicago; Chas. E. Weigold, Municipal Bond Club of New York; David M. Wood, New York; Arnold Frye, New York; Edward E. Parsons Jr., NSTA, Cleveland, Ohio; L. Walter Dempsey, Municipal Bond Club of New York; Russell M. Dotts, NSTA, Philadelphia; J. W. Kingsbury, NSTA, Chairman, Municipal Committee (New Orleans, La.); Earl E. Hageman, The League of Municipalities, Dayton, Ohio; B. Winthrop Pizzini, NSTA, New York City; Joseph F. Clark, Municipal Finance Officers Association of United States and Canada, Chicago; Edward Boyd Jr., Municipal Bond Club, Philadelphia (IBA); Thos. Graham, First Vice-President, National Security Traders Association; Sanders Shanks, "The Daily Bond Buyer"; Herbert M. Bratter, "Commercial and Financial Chronicle."

Following the meeting Mr. Weigold observed to "The Chronicle" representative: "If the SEC had had us down before it circulated the proposed rule in 1942, that rule would never have been formulated. The more that is brought out about the practical end of the business, the more it will be evident that regulation of municipal bond trading is unwise and apt to result in tremendous damage to State and municipal financing. It is axiomatic that any regulation of transactions in municipals is regulation of the primary market for municipals. Of course we are all opposed to fraud and want to see fraud prosecuted in every instance."

Mr. Davis, summarizing for "The Chronicle" his views of the meeting, stated: "I think the meeting has been worthwhile as an opportunity for open and fair discussion. Maybe, eventually, additional good will result from this meeting."

A Clarified Labor Policy Needed

(Continued from first page)

to understand that we still have in our midst an indefatigable group of experimenters who dwell in some Utopian dreamland and whose objectives are continuing government control, permanent regimentation and restrictive measures under which initiative, liberty and progress could not survive. Fortunately, we have abundant evidence, particularly as expressed through Congress, that our people have their feet on the ground and are determined to preserve our free institutions and our democratic processes. At the same time, we cannot afford to be indifferent to the small group of planners who have learned nothing from our bitter experiences of the thirties.

As I see it, there are two post-war problems that are paramount to all others. One is the development of a post-war tax program which will facilitate the free flow of venture capital and will provide the necessary incentives to the stimulation of private enterprise and thus enable us to achieve maximum production and maximum employment. The other is the development of a national labor policy which will deal wisely and adequately with the complex labor relations of this great industrial nation.

Under the private enterprise system this country has grown, in a relatively brief span of history, from a loosely-knit group of colonies, depending primarily upon agriculture for their livelihood, into the greatest industrial country the world has ever known. As part of this development, the industrial worker has come to occupy a position of importance equal to that of the agricultural worker. This has profoundly influenced political trends. It is a competitive relationship which has its reflection in governmental policies, with an impact upon agricultural prices on the one hand and upon industrial wages on the other hand.

Recently I have commented upon some aspects of the post-war problem of taxation. I wish to reiterate here that the current agitation for a lengthening of the holding period of the capital gains tax as a means of controlling inflation is illogical. It fails to distinguish between cause and effect. Its adoption would aggravate the existing scarcity of capital assets and result, therefore, in higher prices. I am unalterably opposed to any such change.

The excess profits tax is a war-created emergency tax which serves two important purposes: (1) it takes the profit out of war and (2) it provides much needed revenue to help finance the war. Under normal conditions it would prove a vicious and dangerous method of taxation. It is indeed gratifying to note that the Doughton Reconversion Tax Bill has been adopted by the House and sent to the Senate. This action is an indication of the desire of Congress "to encourage timely reconversion and vigorous business expansion." The proposed modifications deserve your full and immediate support. It is to be hoped that Congress will soon recognize that a major contribution to reconversion could be made by a clear-cut definition of Congressional post-war tax policy. The most needed revision is, of course, complete elimination of the excess profits tax at the end of the war.

Problem of Post-War Labor Policy

But it is my purpose chiefly at this time to focus attention upon certain phases of our post-war national labor policy. It is entirely appropriate that this vital subject be discussed by those of us who speak for the financial institutions of the country and whose relationship is so close to investors and potential investors who will supply the capital that will be required for the development of a sound post-war economy. No longer is labor policy a matter of private controversy between employer and employee. Our national labor policy not only affects the nation's business enterprises which utilize the facilities of our markets for the distribution of their securities; but, more particularly, our national labor policy has a direct bearing upon the price at which goods and services will be made available to the public; it has, also, a direct relation to the level of employment and, in turn, to consumer purchasing power. It is one of the important elements in the effort to hold the line against dangerous inflation of prices.

Labor problems today and tomorrow stand on a new footing. The historical approach is of value but, because of the rapidity of social changes in the last decade, it cannot serve as a guide to future policy. Since the first World War, students of political and social economy have recognized and accepted the worker movement through the world, accelerated as it has been through union organization. Great progress has been made in social thinking on the position of labor in our economic structure.

It is an historical fact that since the beginning of the capitalistic era labor has had to fight for its concessions from management. This is not to minimize the fact that labor has had many staunch friends in management and that industrial statesmanship of a high order has constantly and effectively assisted labor in its aspirations. Through organization, labor has risen slowly to a position in which it has established rights in bargaining for wages and social betterment. At the end of World War I the total membership of recognized unions was reported at approximately four million. Today the figure is estimated at about 14 million. The bargaining power, the political power of labor, has developed with this growth in organization.

Labor's Goals Recognized

During the last decade and under the leadership of a sympathetic Administration, many of the earlier goals of the workers have been recognized as a matter of law and a widespread appreciation of the human values in industrial relations has developed. Mr. Elmo Roper, who conducts the "Fortune Magazine" polls, has made a survey designed to find out what labor really wants. After much processing of answers to a wide variety of questions, it was determined that labor wanted four things, the first of which was security; not the security provided by Government aid, but rather the right to work regularly at reasonably good wages in the employ of private industry. The second desire was for the chance to advance, to go from one job to a better job. The third was a more intangible desire and one which has frequently received too little consideration. It is a desire to be treated as a human being and not as a payroll number. The worker wants the respect of his employer, his fellow workmen and his neighbors. The fourth desire could be described as a social consciousness, a confidence that he is doing a good job that needs to be done; a feeling that he plays an essential role in his community.

In part, we have witnessed the attainment of these objectives of labor. In the adoption of social security legislation, the principle of providing security within the framework of private industry has been established. This legislation has been subject to criticism primarily on the details of its provisions rather than on its objectives. Much progress has been made in this direction through the growing and widespread adoption of company pension plans which have been encouraged by special tax benefits.

If the workers' aspirations which I have mentioned are to be realized under the mass production system, as they should be, we must use our best leadership, both in the field of management and in the field of labor. The question is partly a moral one and it calls for spiritual leadership as well as industrial statesmanship.

More and more it is realized that in our economy maximum production must be attained to produce maximum employment and that the wages of labor provide an increasingly large market for the products of our manufacturers. The problem for the industrialist is to develop efficiency of operation and to produce and distribute a volume of goods and services which will permit the absorption of a higher basic hourly wage rate without a commensurate increase in the end product price.

War-Time Labor Conditions

What are the facts as to wages, hours and costs of living during this war period? Average weekly earnings in all manufacturing industries, as reported by the Bureau of Labor Statistics, have increased from $27.7 per week for January, 1941, to $47.5 per week for March, 1945. A part of this increase comes from the fact that there has been an increase of 13½% in the number of hours worked per week. The greater part of the war-time advance in weekly take-home pay has come, however, from a 51½% increase in hourly earnings. Average hourly earnings in January, 1941, were 68.9 cents. The latest figures, those for March, 1945, show an average of 104.5 cents.

There has been much discussion about changes in the cost of living during the war period. Representatives of labor have sharply disputed the Bureau of Labor index, claiming that the increase in cost of living between Janury, 1941, and December, 1943, amounted to at least 43.5%, against a Bureau of Labor Statistics figure of 23.4%. Under the President's direction, a technical committee headed by Dr. Wesley C. Mitchell was requested to review the Bureau of Labor figures and to determine what changes or improvements should be made in the index. Bureau of Labor findings, based upon the Public Committee report, led to the conclusion that between January, 1941, and October, 1944, there had been an over-all increase in the cost of living of urban workers in small as well as large cities of 29½%. The Public Committee's report concludes that while prices have risen they have not risen as rapidly as the hourly compensation of wage earners, with the result that real hourly wages, that is the purchasing power of hourly wages, is slightly higher today than in January, 1941. This net gain may be expected to persist and, perhaps over a period of time, to increase.

Peace Economy Requires More Efficiency

The emphasis, as we approach reconversion and the reestablishment of a peace-time economy, must be on efficiency and volume of production rather than on a reduction of hourly wages. It would be quite unrealistic to look for any broad downward revision of basic hourly wage rates after the war. No doubt, as workers shift from industry to industry, there will be some down-grading. Equally without doubt, there will be some shrinkage in the weekly pay envelope as a result of the elimination of overtime and of the probable tendency for industry to reestablish a 40-hour week in the interests of full employment, but the increases in basic hourly wages fought for and established by labor during the war period will, on the average, hold or tend to increase moderately. I make this statement because I believe that this country has come to accept a permanent advance in the position of labor in our social and economic structure.

During the war labor has played a vital role. It has successfully provided our armed forces with the vast quantities of material and services which were a prerequisite to the defeat of Germany and we have every confidence that it will continue the flow of supplies needed to expedite final defeat of Japan.

With this over-all accomplishment, however, has come a drop in the efficiency of the operation of the individual unit. It is estimated that six million persons—older men, mothers and young boys and girls ordinarily in training and education—have been drawn into industry for patriotic reasons to meet the acute manpower shortages in vital war industries. Their inclusion in the labor force has contributed to the lower standard of efficiency. Many of these persons will be dropped from active employment after the war.

In spite of the spectacular increase in the volume of production and in the nature of goods produced by individual plants, the proportion of wages and salaries has continued relatively stable at approximately one-half of the business receipts. Under the excess profits tax and under the intensity of the war effort, there has been a tendency for management to concentrate upon meeting the military requirements on a volume basis with not as much regard for costs as would be the case in normal times. The post-war elimination of the excess profits tax will force management to adopt far more rigid standards of operation.

Business Attitude to Labor Constructive

I have met from day to day with industrialists and heads of large and small enterprise from every section of the nation, and I can assure this audience that, with very few exceptions, the attitude of our business men toward the cause of labor is most constructive and forward-looking. The usual comment by such business men is in this vein: There are distinct advantages to the national economy in a generous wage policy, but we must get back our pre-war efficiency, for due to lack of efficiency the direct wage cost per unit of production is entirely too high. We must reach maximum volume of high quality goods at the lowest possible cost to the consumer, for only through large-scale production can we reach maximum employment.

To maintain a large volume of production in a peace-time economy, there must be a mass purchasing power sufficient to absorb the products of industry. Mass purchasing power is represented by the accumulated savings and more particularly by the current income of all our people. Let me digress for a moment to underline the relationship between the wages of labor and total purchasing power. National income for 1944 has been estimated at 160.7 billion dollars. Of this amount, the total of industrial wages and salaries paid was 116.0 billion dollars, or 72%. In other words, I want to make it clear that when we talk of consumer purchasing power we are, to a very large degree, talking about the purchasing power, the wages of the American worker.

Never in our history has current and accumulated purchasing power of the country equalled present record levels. Since the beginning of the war, national income has advanced 127%. Because of heavy war taxation, spendable income has increased 103%. Because of the lack of goods, especially durable goods, for civilian consumption and the restriction of service during the war, the percentage of spendable income actually flowing into consumer expenditures dropped from 91% in 1939 to 71% last year. Net savings of individuals increased from 1939 through 1944 by 129.7 billion dollars, an average for the six-year period of over $21 billion per annum. It is estimated by the Securities and Exchange Commission that the current liquid buying power held by individuals on March 31, 1945, amounted to about $154 billion. This includes cash, time and demand deposits and Government bonds. The latter should not be regarded as subject to early liquidation, but the figure is indicative of the tremendous accumulated purchasing power which will tend to accelerate the flow of goods and services as they become available during the reconversion period. I must emphasize that accumulated savings should not be relied upon except as the existence of large accumulated reserves will tend to stimulate the expenditure of a larger proportion of current income. The most important post-war goal is the attainment and maintenance of a high degree of purchasing power out of current

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A Clarified Labor Policy Needed

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production. This must depend upon efficiency, volume and the maintenance of a selling price at a level which will continue to attract consumer purchases.

Clarification of Labor Policy Needed

In his introduction of the Federal Labor Relations bill recently submitted to the Senate by Senators Hatch, Ball and Burton, Senator Hatch expressed the conviction that a reasonable measure of peace and harmony in our industrial relations here in the United States is as essential to the future security and prosperity of the people of America as is world peace and stability. Senator Ball has well pointed out (and I quote) "that unless and until there is a clarification of Federal labor relations policy, plainly written into law and applying equally to all, there is scant chance that managers and smaller enterprisers will risk much expansion in the reconversion or immediate post-war period. The risks are simply too great." (End of quotation.) And, further, he comments upon the fears of many leaders of organized labor that some elements of management will repeat after this war the effort which it made after the first World War to destroy unions.

Certainly there is as great a need for clarification of Federal policy in the sphere of labor relations as in the sphere of taxation. It is as essential to the successful negotiation of the turbulent waters of reconversion as a sound and clearly defined Federal fiscal policy.

It does not seem appropriate for me to enter into a detailed discussion of all the desirable provisions of such legislation but there are two phases of labor-relations which have perhaps received insufficient public notice in the one case and too little logical thought in the other. These are the jurisdictional dispute and the substitution of the orderly process in lieu of the right to strike.

Some New Provisions Desirable

As early as 1903 Samuel Gompers commented on the evils of the jurisdictional dispute. The late President of the Building and Construction Trades department of the American Federation of Labor, Mr. John Coyne, said in an address before the New York Building Congress just before the war that labor itself admitted its inability to cope with the jurisdictional dispute. This type of dispute which, all too often, even during the war, has led to work stoppages, does not contribute to the improvement of the lot of the wage earner in our economic structure. It is simply a conflict between opposing organizations within the ranks of labor to obtain the privilege of operating in some particular field. Work stoppages arising from such disputes in wartime and from other disputes where the established processes for settling differences were not permittd to operate have brought discredit upon labor leadership and have jeopardized some of labor's gains. During times of peace they are harmful primarily to innocent third parties; and, of greatest concern, they are harmful to the public. And make no mistake about it, the public is incresingly impatient with the accumulating evidence of irresponsibility in the ranks of labor. The public, as labor will learn and as business has learned, is a hard taskmaster. Slow to wrath, the public ultimately imposes penalties for irresponsibility.

Coupled closely with this question of jurisdictional dispute is the matter of labor union responsibility. As we are willing to recognize organized labor and extend to it rights and privileges under the law, so must organized labor accept its full stature under the law and undertake those responsibilities which go along with rights.

After the last war there was a very sharp increase in the percentage of employed workers involved in strikes and lockouts throughout the United States. The percentage jumped from 6.2% in 1918 to 20.8% in 1919. In the latter year, 4,160,000 persons were involved. Since those years there has been a great increase in the total of employed persons, but it is worth noting that in 1944 2,115,000 persons were involved in work stoppages. There can be little doubt that, lacking truly constructive leadership and without restrictive legislation, work stoppages will increase very substantially after this war.

Responsibility in union organization requires statesmanship among labor leaders. Many labor leaders received their schooling in industrial relations during the period when it was necessary, in many instances, to fight every inch of the way. It is not surprising parhaps that, with this background, they have tended to contest final decisions even after they have gone through the established procedures of settlement. It is very much to be hoped that the quality of labor leadership will continue to improve and that it will develop a respect for the responsibilities which organized labor must assume as it secures its position under statutory law.

For many years the right to strike has been recognized in this country. Morally and economically speaking, strikes were justifiable only because labor had no other means of asserting its claims. As we contemplate the formulation of a national labor policy, it is to be expected that, through legislative enactment, the right of workers to organize and to bargain as a collective unit and the many basic requirements of the workers, will be recognized, and provision for the protection of those rights will be established. Is it not reasonable to examine into the economic and social justification for a continuation of the right to strike after such time as adequate orderly processes for the settlement of labor disputes have become part of our national labor policy.

Principles of Labor-Management Cooperation

There are certain principles which it seems to me should underlie our national labor policy which have been set forth as follows:

1. No dispute can arise between employer and employee which cannot be settled in negotiation, by conciliation or by arbitration provided parties to the dispute have the will honestly to try one or more of these methods.
2. Industry and labor cannot fail to thrive on cooperation between employer and employee and both will surely languish if such cooperation is absent.
3. Cooperation resulting in mutual good will is the key to increased production and better craftsmanship. The road to the highest efficiency of the individual working unit lies through frank cooperation, a recognition of each other's problems and fair dealing.
4. Local union leadership must be improved. Strikes and lockouts are undesirable from an economic and social point of view.
5. The mere display of power is the last thing to insure the success of an organization or an industry.
6. Employers and union organizations must declare their purpose to bring about three things:
   a. Good working conditions.
   b. Good wages.
   c. The highest possible standard of craftsmanship.

7. Employers and union organizations must agree in advance to abide by the decisions of properly constituted agencies or authorities empowered to deal with labor disputes.

In this brief discussion of a broad and exceedingly complex national problem, it is recognized that there are conflicting views and that the answers probably lie in a compromise between the interest of labor and the interest of management. I hold the positive view that the controlling interest must be that of the consuming public. The great army of workers, more than 50,000,000 strong, are themselves a large part of the consuming public.

I believe in a high basic hourly wage and one which respects changes in the cost of living index. If such an index, impartially compiled, shows justification for a higher wage, then industry must make every endeavor to pay that higher wage. Labor's contribution toward the attainment of a higher standard of living must be through increased efficiency.

This is an era of confidence—confidence in our ability to live and work in harmony with each other and with other nations and confidence that this nation will continue to progress and to prosper. A strong, progressive, clear-cut national labor policy must be developed as one of the foundations upon which we expect to build our post-war prosperity.

Crane Co. Pfd. Shares Offered at $102 per Share

A banking syndicate headed by Morgan Stanley & Co. and Clark, Dodge & Co. are offering today (July 12) an issue of 160,000 shares of 3¾% cumulative preferred stock (par $100) at $102 per share to yield 3.68%. The company is one of the largest manufacturers of valves and fittings in the world and the third largest plumbing supplier in this country. Net proceeds will be used, together with other funds, for the redemption of the outstanding 192,803 5% cumulative preferred shares which the company intends to call for redemption on or about Aug. 18 at $105 per share and dividends.

Broker-Dealer Recommendations

(Continued from page 192)

Trust Building, Grand Rapids, Mich.

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 **Eastern Corp.** and **Bird & Son, Inc.**

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

Wertheim-Lehman Group Offer Continental Baking Issue of $16,500,000

An investment banking group headed jointly by Wertheim & Co. and Lehman Brothers and including 25 other houses will offer publicly today a new issue of $16,500,000 20-year 3% debentures of Continental Baking Co., which, with a subsidiary, operates 84 bakeries in 67 cities and 28 states and the District of Columbia.

The debentures are dated July 1, 1945. They are priced to the public at 102% and accrued interest from July 1. The net proceeds will be applied to the prepayment of $15,175,000 principal amount of serial notes maturing semi-annually from Aug. 1, 1945, to Aug. 1, 1956, held by two New York banks and the Equitable Life Assurance Society, and to the general funds of the company. Upon the prepayment of the serial notes the company will have only the 3% debentures as funded debt.

D. R. Kenney With C. E. de Willers & Co.

C. E. de Willers & Co., 120 Broadway, New York City, announce that D. Raymond Kenney has become associated with them. Mr. Kenney was previously with J. Arthur Warner & Co.

Federal Work Week Cut

All but six Government agencies have been ordered by President Truman to reduce their work week from 48 to 44 hours immediately, the Associated Press reported from Washington July 3, adding that the President's memorandum excluded the War and Navy Departments, the Treasury, the Veterans' Administration, the Tennessee Valley Authority and the Panama Canal. The advices added:

All other government agencies were ordered to cut four hours from the 48-hour six-day week they have maintained through the war. Even in the case of the six departments excluded, the President said they should examine their operations and go on a 44-hour week wherever possible.

In a memorandum to the heads of the executive departments and agencies Mr. Truman said:

"It should be clearly understood that reductions in hours of work are not to constitute a basis for request for additional funds for personnel."

The President's action means that hundreds of thousands of Federal workers will receive smaller pay checks than they otherwise would get. However, President Truman on Saturday signed a bill granting basic pay raises averaging 15.9% to 1,220,000 Federal employees.

Merger of Savings And Loan Publications

Merger of the two publications in the savings and loan and co-operative banking field as of July 1 was announced on June 30 by the Board of Directors of the United States Savings and Loan League. It combines the 65-year old AMERICAN SAVINGS AND LOAN NEWS and the 19-year old SAVINGS AND LOANS to form a new publication, SAVINGS AND LOANS NEWS. The overall editorial program announced by the League Directors will include: (1) greater coverage of financial news; (2) monthly real estate trend analysis; (3) review of building products and methods; (4) analysis of office administration methods; (5) digest of government activities and legislation; and (6) happenings in the American Savings and Loan Institute, the educational organization of the business. It is announced that the new magazine will be the official publication of the half-century old United States Savings and Loan League, and the editorial policies will continue to "promote home ownership, private enterprise and a strong, independent savings and loan business." Henry S. Rosenthal, Cincinnati, veteran editor and founder of the older publication, will be editor emeritus, and Franklin Hardinge, Jr., Chicago, the managing editor.

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, 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. on June 25 filed a registration statement for 56,000 shares of cumulative preferred stock (par $100). Dividend rate will be filed by amendment.

Details—See issue of July 5.

Offering—Offering price will be filed by amendment.

Underwriters — Underwriting group is headed by Goldman, Sachs & Co., New York.

SUNDAY, JULY 15

BETHLEHEM STEEL CORP. on June 26 filed a registration statement for $75,000,000 consolidated mortgage 25-year sinking fund 2¾% bonds, Series I, due July 15, 1970.

Details—See issue of July 5.

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

Underwriters — Principal underwriters are Kuhn, Loeb & Co., Smith, Barney & Co. and Mellon Securities Corp. Others will be named by amendment.

MONDAY, JULY 16

NEW YORK STATE ELECTRIC & GAS CORP. on June 27 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.

Details—See issue of July 5.

Offering—Price to public will be filed by amendment.

Underwriters—Stock and bonds will be sold at competitive bidding and names of underwriters will be filed by amendment.

BAUSCH & LOMB OPTICAL CO. on June 27 filed a registration statement for 50,000 shares of 4% cumulative preferred stock (par $100) and 152,500 shares of common (par $10).

Details—See issue of July 5.

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.

Underwriters—Stone & Webster and Blodget, Inc., heads the group of underwriters with the names of others to be filed by amendment.

PENNSYLVANIA TELEPHONE CORP. on June 27 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).

Details—See issue of July 5.

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.

Underwriters—Group headed by Paine, Webber, Jackson & Curtis and Stone & Webster and Blodget, Inc.

AMERICAN TELEPHONE & TELEGRAPH CO. on June 27 filed a registration statement for $175,000,000 35-year 2¾% debentures, due Aug. 1, 1980.

Details—See issue of July 5.

Offering—Price to public will be filed by amendment.

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.

TUESDAY, JULY 17

NATIONAL CONTAINER CORP. on June 28 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.

Details—See issue of July 5.

Offering—The price of the preferred stock to the public is $26 per share.

Underwriters—Group is headed by Van Alstyne, Noel & Co.

IDAHO POWER CO. on June 28 filed a registration statement for 39,413 shares of 4% preferred stock ($100 par).

Details—See issue of July 5.

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

Underwriters—Group is headed by Blyth & Co., Inc., Lazard Freres & Co. and Wegener & Daly, Inc.

WEDNESDAY, JULY 18

EASTERN GAS & FUEL ASSOCIATES on June 29 filed a registration statement for $40,000,000 first mortgage and collateral trust bonds due 1965. Interest rate will be filed by amendment.

Details—See issue of July 5.

Offering—Price to public will be filed by amendment.

Underwriters—Bonds will be sold at competitive bidding and names of underwriters will be filed by amendment.

WESTERN CONDENSING CO. has filed a registration statement for 10,000 shares of 5% cumulative series A convertible first preferred stock ($100 par) and 50,000 shares of common stock (par $2.50).

Address—San Francisco, Calif.

Business—Processing of fluid whey, etc.

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

Purpose—To redeem $100 par 7% cumulative preferred and for working capital.

Underwriters—Dean Witter & Co.

Registration Statement No. 2-5809. Form S-1. (6-29-45). Registration statement originally filed in San Francisco.

GENERAL PHOENIX CORP. has filed a registration statement for $1,000,000 12-year 4% convertible subordinated debentures due July 1, 1957.

Address—60 East 42nd Street, New York, N. Y.

Business—Acquiring or financing accounts receivable, making small loans, etc.

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

Proceeds—The net proceeds will be applied to redeem at 102 of such of the 10-year 5% convertible subordinated debentures of the corporation as are not previously converted into Class A common stock and the balance will be added to the general working funds of the company.

Underwriters—Group is headed by Paine, Webber, Jackson & Curtis.

Registration Statement No. 2-5811. Form S-1. (6-29-45).

JOHNS-MANVILLE CORP. on June 29 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.

Details—See issue of July 5.

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.

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.

MARICOPA RESERVOIR & POWER CO. on June 29 filed a registration statement for $3,343,500 4% income debentures due May 1, 1970, and $4,458 shares of common stock, no par.

Details—See issue of July 5.

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.

Underwriters—The Dunne-Israel Co.

THURSDAY, JULY 19

FLORIDA FOODS, INC., has filed a registration statement for 56,000 shares of $2 cumulative convertible preferred stock and 280,000 shares of common reserved for conversion of the preferred.

Address—First National Bank Building, Orlando, Fla.

Business—Company was organized April 12, 1945, for the purpose of producing and selling orange and other citrus juices reduced by a vacuum process to a concentrated or powdered form.

Offering—The price to the public will be filed by amendment. In addition to the 56,000 shares of preferred offered, the company has agreed to sell to the underwriters 15,000 shares of common at the price of 10 cents per share, being the par value of the stock. The underwriters have advised the company that they will purchase these shares for investment and not with a view to distribution or resale. The 56,000 shares of preferred are all of this issue presently authorized. The company has 450,000 shares of common authorized of which 140,000 shares were outstanding on June 28, 1945, all being owned by the National Research Corporation. An additional 15,000 shares are to be sold to the underwriters.

Proceeds—Of the net proceeds from sale of the preferred stock, estimated at $2,560,000, approximately $1,100,000 will be applied to the construction and equipment of the orange juice plant of the company to be erected at Plymouth, Fla. The balance of the proceeds, together with proceeds from sale of 15,000 shares of common, will be retained as working capital, and for possible additions or improvements to plant.

Underwriters—Principal underwriters are Paine, Webber, Jackson & Curtis and First Boston Corp.

Registration Statement No. 2-5815. Form S-12. (6-30-45).

FERRO ENAMEL CORP. has filed a registration statement for 58,264 shares of common stock, par $1.

Address—4150 East 56th Street, Cleveland, Ohio.

Business—Peacetime business consists of manufacture of enamel for various uses, etc.

Offering—Company is offering to common stockholders the right to subscribe to the new common at the rate of one share for each four shares held, the price to be filed by amendment. Unsubscribed shares will be sold to underwriters for offering to the public.

Proceeds—The proceeds will be used for modernization and mechanization of the company's Cleveland plant, for certain construction programs and for other corporate purposes.

Underwriters—Maynard H. Murch & Co. heads the underwriting group.

Registration Statement No. 2-5816. Form S-1. (6-30-45).

ADMIRAL CORP. has filed a registration statement for 150,000 shares of common stock (par $1). Of the shares registered 74,632 are being sold by Admiral Corp. and not to exceed 75,368 by certain stockholders.

Address—3800 Cortland Street, Chicago, Ill.

Business—The statement says company's post-war products will include radios, radio phonographs, refrigerators, home freezers and electric ranges.

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

Proceeds—Company will use its part of the proceeds in general to finance operations, inventories and accounts receivable incident to its radio and allied business and its engaging in the refrigerator, range and home freezer field. Remaining proceeds will go to the selling stockholders.

Underwriters—Dempsey & Co., Chicago, heads the underwriting group.

Registration Statement No. 2-5817. Form S-1. (6-30-45).

ACF-BRILL MOTORS CO. has filed a registration statement for 190,464½ warrants. The warrants are issued and outstanding and are being sold by American Car & Foundry Investment Corp.

Address—62nd and Woodland Avenue, Philadelphia, Pa.

Business—Manufacture and sale of motor coaches, trolley coaches, street cars, etc.

Offering—The warrants entitle the holder to subscribe to the common stock of the company. The selling stockholder, American Car & Foundry Investment Corporation, proposes to offer the warrants for sale to the public commencing approximately Aug. 1, 1945, with the price to be determined from day to day by market sales of the warrants.

Proceeds—The selling stockholder contemplates using the proceeds for the purpose of making investments in income-producing securities or other income-producing property.

Underwriters—None mentioned.

Registration Statement No. 2-5818. Form S-1. (6-30-45).

MONONGAHELA POWER CO. has filed a registration statement for $22,000,000 first mortgage bonds, due 1975, and 90,000 shares of cumulative preferred stock, par $100. The interest and dividend rates will be filed by amendment.

Address — Watson Building, Fairmont, W. Va.

Business—Public utility.

Offering—The securities will be offered for sale at competitive bidding. The offering prices to the public will be filed by amendment.

Proceeds—Simultaneously with the issue of the new bonds and preferred stock the company also proposes to issue $4,000,000 serial 10-year notes to banks and to sell 82,500 common shares to its West Penn Electric Co., parent, for $653,100 in cash and surrender of 23,376 shares of its 7% preferred now held by West Penn. Monongahela proposes to use the proceeds from these sales, together with corporate cash, to retire all of its outstanding bonds, debentures and preferred stock.

Underwriters—The names of underwriters will be filed by amendment.

Registration Statement No. 2-5819. Form S-1. (6-30-45).

STANDARD AIRCRAFT PRODUCTS, INC. has filed a registration statement for 450,000 shares of common stock 2 cent par value. Of the total 122,680 shares are unissued and the balance is held by two stockholders: R. N. Webster 243,320 shares and A. L. Webster 84,000 shares.

Address—121 Franklin Street, Dayton, O.

Business—At present the registrant is engaged in filling as prime contractor substantial orders for the U. S. Army Air Forces.

Offering—To be filed by amendment.

Proceeds—The proceeds from the sale of the registrant's 122,680 unissued shares will go to supply additional working capital. The specific need for such working capital is to facilitate post war reconversion of plant and machine tool facilities and engineering and design of post war products now in final stages of completion.

Underwriters—To be named by amendment.

Registration Statement No. 2-5820. Form S-1. (6-30-45).

MONDAY, JULY 23

STANDARD OIL CO. OF OHIO has filed a registration statement for 200,000 shares of cumulative preferred stock, series A, $100 par. The dividend rate will be filed by amendment.

Address—Midland Building, Cleveland, O.

Business—Production and refining of oil, etc.

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

Proceeds—Of the proceeds $2,010,000 will be used to prepay the balance of a 1¾% bank note; $2,153,975 to prepayment of a portion of notes and mortgages payable; $12,900,000 to the redemption on or about Sept. 1, 1945, at $107.50 per share of the 120,000 shares of 5% cumulative preferred stock, and $2,072,805 to the redemption on or about Sept. 1, 1945, of all outstanding shares of 4¼% cumulative convertible preferred stock. The latter total is based upon 19,741 shares outstanding on June 14, 1945. The stock is convertible until the redemption date into common stock. Any balance will be added to the general funds of the company.

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

Registration Statement No. 2-5822. Form A-2. (7-3-45).

THURSDAY, JULY 26

KINGS COUNTY LIGHTING CO has filed a registration statement for $4,200,000 first mortgage bonds due 1975. The interest rate will be filed by amendment.

Address—Brooklyn, N. Y.

Business—Operating public utility.

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

Proceeds—The proceeds are to be used to prepay a promissory note of like amount issued to the John Hancock Mutual Life Insurance Co. The proceeds from the sale of the note, with treasury funds, were used to redeem on July 1, 1945, at 105, $4,211,000 outstanding first mortgage bonds due July 1, 1954.

Underwriting—The bonds are to be offered for sale under the Commission's competitive bidding rule and the names of underwriters will be filed by amendment.

Registration Statement No. 2-5824. Form S-1. (7-6-45).

TAPPAN STOVE CO. has filed a registration statement for 25,250 shares of capital stock, par $5 per share.

Address—250 Wayne Street, Mansfield, Ohio.

Business—Peace-time business manufacture of gas cooking ranges for domestic use.

Offering—The company will offer stockholders the right to subscribe to the new stock in the ratio of one share for each four shares held. The subscription price will be filed by amendment. The record date and time when subscription certificates expire also will be filed by amendment. The unsubscribed shares will be sold to the underwriters for offering to the public.

Proceeds—The proceeds will be used for the construction of a new manufacturing plant to be located at Murray, Ky., and to provide additional funds available for general corporate purposes. The company estimates that approximately $500,000 will be devoted, as soon as practicable, to the construction and equipment of its proposed Murray plant. Negotiations are being carried on for the acquisition of a factory site and certain equipment, but no commitments have been made.

Underwriting—McDonald & Co., Cleveland, heads the underwriting group.

Registration Statement No. 2-5823. Form A-2. (7-6-45).

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, 3¼%, 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.

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.

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.

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.

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.

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 $100 per share. 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.

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.

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.

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.

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 of preferred $15.50 per share; common $11 per share 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.

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.

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 in an amendment filed June 30 is offering 2,043,261 units (instead of 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 2½ year stock purchase 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. Stockholders of record July 2 are given the right to subscribe to one unit for each two share held at $21.50. Rights expired July 23, 1945.

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.

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.

Registration Statement withdrawn June 28, 1945.

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.

R. J. REYNOLDS TOBACCO CO. on June 16 filed a registration statement for 490,000 shares of 3.6% series preferred stock, par $100.

Details—See issue of June 21.

Offering—Holders of its common stock and Class B common, of record July 7 are given pro rata rights to subscribe at par ($100) per share 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.

Underwriters—Dillon, Read & Co., Inc., and Reynolds & Co. head the underwriting group.

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

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.

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.

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.

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.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 190)

things picked up a bit. A few of the leaders, like American Telephone and Chrysler, moved up nicely with Telephone making a new high.

* * *

Based on Monday's performance the temptation arises that the set-back is over and that now is the time to get back into the swing. But if you take a look at the damage of the past week it doesn't seem likely that one day's market, or even a couple of days of good market, can repair the damage. You must keep in mind that downswings are nothing new to advancing markets. But there are reactions and reactions. The one we saw last week was no mere reflection of any margin rule. It was something much deeper. For the breakdown carried too many stocks below critical levels to permit of serious consideration for re-entry into the long side. As a matter of fact the market now looks much worse than it did during the break. True, a few of the leaders have advanced. Yet the majority of traders seldom buy the leaders.

I therefore suggest that you hold on to the stocks you have but hold up new buying for the time being.

* * *

You still have A. M. Byers at 19 with a stop at 16. Continue your position.

Flintkote bought at 29½ with a stop at 28 came pretty close to breaking the stop. So far it's a fraction away but until it does break it, you hold on.

White Motors, bought at 31 with a stop at 28½ is hovering around the 30 price. Hold.

U. S. Steel, acquired at 56, stop at 65, is now about 69. See no point in getting out yet. So this too should be held.

* * * *

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.]

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Recovering from the confusion caused by the initial trading in the marketable issues of the Seventh War Loan, the Government bond market has assumed more normal proportions, on somewhat decreased activity. . . . After most of the taxable securities had gone to new tops, prices gave ground, with the result that these obligations moved away from their best levels. . . . Selling of the short and intermediate maturities of the 2s by non-bank investors was responsible for the slight decline that took place in these bonds. . . . It was reported that these funds are being reinvested in the new 2¼s and 2½s. . . .

The higher coupon taxables, such as the 2½s, due 1952/54, the 2¼s, due 1952/55, the 2½s, due 56/58, and the 2½s, due 9/15/67/72, were sold by institutional investors, who took advantage of the high prices and the end of the War Loan, to put the proceeds to work in the restricted issues. . . . It was also indicated that a few of the partially exempts were sold to buy the restricted bonds. . . .

STILL UNSETTLED

The market has not fully adjusted its position to the new financing since there still are discrepancies in yields between the various issues. . . . The new 1½% due 12/15/50, at 101 8/32, give a yield of 1.26%, compared with a 1.25% yield for the 2% due 9/15/49/51, and a return of 1.27% for the 2% due 12/15/49/51, which are respectively one year and three months and one year shorter than the 1½s. . . .

Also the 2s due 3/15/50/52 and 9/15/50/52, give a substantially larger return than the 1½s due 12/15/1950, although these two issues are nine months and three months shorter than the new bond. . . .

MARKET VIEWS

Some market followers are of the opinion that the 1½s due 12/15/50, are high at 101 8/32 and believe they will settle around 101. Others hold the belief that the 1½s due 12/15/50 will not only maintain present prices but may even do somewhat better. . . . Accordingly based on current prices for the new bond this group is recommending the purchase of the 2s starting with the 49/51 maturities, which they point out are cheap, compared with the new security. . . .

The higher coupon taxable bonds, particularly the 2½s due 9/15/67/72 are being picked up by commercial banks, as prices recede with the somewhat increased supply. . . . This issue is considered very attractive at present levels. . . .

With a more orderly market in this obligation because of offerings from non-bank holders, the banks are in a position to acquire this security without running the price up. . . . This is the opportunity that many of them have been waiting for. . . .

In the restricted bonds, the 2¼s due 1956/59 is considered the most attractive issue. . . . On Sept. 15, 1946, this security can be bought by commercial banks. . . . It has not discounted this feature yet. . . . Some market observers believe that this bond has appreciation possibilities from these levels of between 1 and 1½ points. . . .

PARTIAL EXEMPTS QUIET

The partially exempt issues have been quiet and pretty much neglected, with only minor price changes. . . . Nevertheless, the last four maturities of these bonds are being recommended as attractive at this time. . . . The more substantial tax free yield that is available in these bonds, compared with the taxable securities, forecasts higher prices for the longer partially exempt obligations. . . .

COMMERCIAL BANKS PROMINENT FACTOR

Indications are that the commercial banks played their usual role, in the Seventh War Loan, despite requests by the Treasury that sales of outstanding securities be confined to "normal portfolio adjustments." . . . It has been estimated that the commercial bank credit expanded during the drive may approximate 50% of the amount raised. . . . Figures for the New York City member banks are complete enough to show what these institutions did during the drive. . . . From May 9 to July 3, these institutions showed an increase in their holdings of Government securities amounting to $1,292,000,000. . . .

This consisted of an increase in bonds of $817,000,000, in notes of $668,000,000, and bills of $241,000,000. . . . Certificates were down $434,00,000. . . .

Loans to brokers and dealers, for carrying Government securities, by these institutions, was larger by $536,000,000, while loans to others, for purchasing Governments increased by $1,049,000,000. . . . This indicates that the New York City member banks expanded bank credit during the period of the drive in the amount of $2,877,000,000. . . .

MATURITIES EXTENDED

Since the end of the Sixth War Loan the commercial banks have extended their maturities considerably. . . . A comparison of the Government security holdings of the New York City member banks at the end of the Sixth War Loan with those at the end of the recent drive shows what has taken place among these institutions:

	000,000 Omitted		
	12/20/44	7/3/45	Change
Bills	$483	$402	—$81
Certificates	3,501	3,091	—410
Notes	3,377	3,263	—114
Bonds	7,789	9,031	+1,242

These figures indicate the pronounced trend among the large city banks to longer maturities. . . . Under the present policy of financing, the commercial banks will not be offered high coupon issues since the Treasury wants to cut the debt burden and at the same time prevent bank earnings from increasing. . . . As a result these institutions have been forced into the outstanding long-term securities with the higher return. . . .

This lengthening of maturities by the New York City member banks, and the other commercial banks throughout the country, has been responsible for the sharp advance that has taken place in the prices of bank eligible Government bonds since the Sixth War Loan. . . .

CERTIFICATE HOLDINGS AT PEAK

The 12 Federal Reserve Banks reported on July 3 holdings of certificates of indebtedness amounting to $6,052,011,000, the largest they have been since the end of the Sixth War Loan. . . . The upward trend in holdings of certificates by "Federal," together with the movement of member banks out of the short-term issues, raises the query whether the "Reserve Banks," in the future, will become as "clogged" with certificates as they now are with bills. . . . On June 30, 1944, the Federal Reserve Banks owned about 11.7% of the outstanding certificates, while at the end of the last fiscal year the Central Banks held approximately 17.8% of the total outstanding. . . .

For the fiscal year ended June 30, 1945, the amount of certificates outstanding increased by $5,314,000,000, of which $2,670,-000,000, or 50% of the increase, found their way into "Federal." . . .

Increased offering of certificates to the commercial banks will mean that more and more of this security will eventually be held by the Central Banks. . . . The commercial institutions will continue to sell the short-term issues, to put the proceeds into the higher income intermediate and long-term issues. . . .

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