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The COMMERCIAL and FINANCIAL CHRONICLE

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Silver and Inflation

By HERBERT M. BRATTER

Reported Use of Treasury's Silver for Issuance of Silver Certificates Seen as Inflationary Move. Silver Bloc Appeased for Support of Bretton Woods.

WASHINGTON, July 17.—A report attributed to Senator Abe Murdock (D., Utah) to the effect that President Truman and the Treasury Department have agreed to the issuance of silver certificates against idle Treasury silver. This is an inflationary process, sometimes known as coining the seigniorage, and recalls to this writer's mind the fact that President Truman, as head of the Truman Committee, had an investigation made by Mr. Lasker of his staff at the time when Treasury silver was being withheld from war uses, and the Office of Production Management (now the WPB) was asking for its use as vital to the defense effort. Those OPM requests, the Silver Senators railed against.

Herbert M. Bratter

Despite the fact that the OPM confirmed to the Truman Committee investigator the the urgent industrial need for the metal,

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Index of Regular Features on page 328.

How to Get More Employment

By DONALD R. RICHBERG*

Prominent Attorney, in Analyzing the Post-War Labor Programs, Attacks the Folly of Demanding More Pay for Less Productive Work. Argues That a Rise in Wage Payments Not Accompanied by Increased Productivity Will Lead to Inflation, and Thus Will Not Benefit Workers. Urges That a Legal Obligation Be Imposed on Both Workers and Employers to Settle Controversies Peacefully and Denounces the Proposed Fair Employment Practice Act as the Most Disorganizing, Deteriorating Influence on Private Enterprise Ever Devised. Favors Hatch-Burton-Ball Bill Setting Up a Proposed Federal Industrial Relations Act.

There is an ancient prayer, "Dear Lord, save me from my friends and I will try to take care of my enemies myself"!

Several million hard-working men and women in the United States might wisely pray every night thus to be saved from some of the most vocal, aggresive, and professional friends of labor. A large number of these "friends of labor" are now engaged in promoting three reconversion and post-war programs which, if carried out, would insure less earnings, more unemployment, and more difficult

Donald R. Richberg

*An address by Mr. Richberg at a dinner of the Rotary Club, Roanoke, Va., July 12, 1945. Mr. Richberg has been an Attorney for many labor organizations in lawsuits and arbitrations in the last 25 years. Co-author of the Railway Labor Act, the Anti-Injunction Act, the National Industrial Recovery Act, and the pending Federal Industrial Relations Bill.

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The Food Problem

By HON. CLINTON P. ANDERSON*
Secretary of Agriculture

Asserting That He Has Recently Taken Over One of the Most Difficult Jobs of a Public Official, Secretary Anderson, Upholding Full Publicity Regarding Food Supplies, States That We Can't Feed the World and That the Demand for Certain Foods Exceeds Supply, but There Is Enough Nutritious Food for an Ample Diet. Denounces a Bare Shelf Policy and Fear of Surpluses, and Advocates Guarantee of Prices to Farmers. Sees Difficulties in Removing Subsidies and Decries Separating People Into Conflicting Groups, or Talking of Conflict Between Government and Business. Praises Work of Advertisers.

Mr. Chairman, Ladies and Gentlemen: In this audience there is probably the person responsible for the advertising campaign which is based on the theory that something can be wrong with a fellow and even his best friends won't tell him. Contrary to that assumption, my best friends all assure me that I have recently taken over one of the most difficult jobs an American public official has ever had to tackle. It touches the life of every man, woman and child in the nation, for it has to do with the production, preservation and distribution of the nation's food.

Clinton P. Anderson

*An address by Mr. Anderson before the Advertising Federation of America, New York City, July 11, 1945.

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"Margin for Error"

FEDERAL RESERVE BOARD DELIVERS KNOCK-OUT BLOW TO SMALL BUSINESS

By A. M. SAKOLSKI

New F. R. B. Margin Requirements Fixing Collateral Loan to Value on Non-Member Specialists and Dealers at 75% of Market Value Besides Driving Many Firms Out of Business Will Handicap the Outside Market and Will Injure Financing of Small Business

In line with the fallacious policy of fighting inflation by handicapping transfer of capital and "freezing" investments, the Board of Governors of the Federal Reserve System on July 5 issued new margin regulations, which in effect, require among other things, dealers and specialists in unlisted securities to furnish collateral of not less than 75% of the market value on their borrowings from the banks. The regulation does not apply to recognized specialists who are members of a securities exchange. These may borrow on a 50% margin. **There is accordingly, a rank and unjust discrimination against small dealers who fill the important position in the securities market of creating and maintaining a market for local and unlisted securities.**

A. M. Sakolski

As in all lines of merchandising, dealers in securities cannot carry on a profitable business and cannot operate profitably with a modest capital, unless they borrow from banks. If driven to operate on their own capital and if deprived of normal credit facilities, they must, in order to make sufficient profit to warrant remaining in business either de-

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An Opportunity for Investment Brokers

By HON. FRED L. CRAWFORD*
U. S. Representative from Michigan

Congressman Crawford, Asserting That "Government Agencies or Legislative Forces That Stand in the Way of Ample Production Will Run Into Difficulties Through Economic and Social Chaos," Urges Investment Dealers to Educate the People About the Enterprise System and Get the People to Invest. Holds Those in the Business Are Best Equipped for This, and Recommends That Brokers and Dealers Consult Continuously With Legislators. Calls for Free Markets and Says That if People Fail to Invest in Private Enterprises "There Will Be Unemployment and Social Unrest."

I appreciate all that has been said today about my work in Congress and I hope that my conduct from here on may be such as to demand your respect and confidence.


F. L. Crawford

There are such things in this world as spiritual and moral forces, and I have such a high respect for our enterprise system, for the investors of this country who put their risk capital in it, for the commissionmen and brokers and exchanges, both stock and commodity, that I came up here today to get a little inspiration from the home front firing line. We members of Congress who sit in Washington, entirely dependent upon such information as you may give us from time to time, find it very necessary to get out into the field now and then, contact those who make the wheels go around, and get a clearer understanding of what the momentary situation is about. That is my object in coming here today.

It is the thrifty people of the United States who put their risk capital in American enterprise who provide the keystone, the foundation, which has led to the American industrial worker and pay-rollees having the tools in their hands with which to turn out the highest per capita production in the world. The ability of our pay-rollees to do this work is what is turning the wheels and

*An address by Congressman Crawford before the Investors' Fairplay League, New York City, June 28, 1945.

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Weiss, Work Co. to Be Formed in Cincinnati

J. S. Todd Opening Office

CINCINNATI, OHIO — As of Sept. 1st, James S. Todd will retire from the firm of J. S. Todd & Co., First National Bank Building, and the business will be continued by Willard C. Weiss and Joseph R. Work under the firm name of Weiss, Work & Co.

James S. Todd will open an office in the First National Bank Building, conducting an investment business under his own name.

Bretton Woods Dangers to Britain

By ROBERT BOOTHBY, M.P.
Member, Monetary Policy Committee (Great Britain)
Author of "The New Economy"

British Economist and Statesman, After Contending That the Restoration of the Gold Standard in England Following World War I Was the Cause of Economic Depression, Maintains That the Bretton Woods Agreements Will Again Mean Resort to Gold Standard by Great Britain. Says Agreements Will Prevent Great Britain From Entering Into Bilateral Agreements to Maintain Her Balance of Payments and Will Put an End to "Sterling Area" Essential to British Economy. Holds Effect Will Be to Hand Over Absolute Economic Power to the Creditor Nations of the World of Which U. S. Is the Foremost.

It is of vital importance that the British people should understand the great economic issues which now confront this country, and not be confused by the technical jargon in which so much of the current discussion about our future trade and monetary policy is dressed up.


Robert Boothby, M.P.

I am often asked these days what the Bretton Woods Agreement really means. Does it put us back on a gold standard? Does it prevent us from negotiating favorable trade agreements with other countries, including our own Dominions? Does it subject us to the economic power of the United States? Would it prevent us from achieving full employment and social security? In my view the answer to all these questions is in the affirmative.

Let me try to explain, in simple language, why.

First of all, I would invite the reader to think of money not as something with an independent value of its own, but as nothing more than a convenient medium for exchanging real wealth, which consists of goods and services, and of measuring the value of these goods and services. It is, in fact, the oil which lubricates the trade of the world. It it not petrol, in the sense that, by itself, it cannot start or drive the wheels of production. But if there isn't enough of it, the machinery seizes up.

The second thing to remember about money is that it can be created out of nothing. For credit *is* money. And (to quote the words of the Macmillan Committee) "by granting loans, allowing money to be drawn on overdraft, or purchasing securities, a bank can create a credit in its books which is the equivalent of a deposit."

Must Be Kept Steady

The third thing to remember about money is that, if it is to ful-

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And It Came to Pass

Vote of NASD Member Firms on By-Law Amendments Proceeding. District Committee Chairmen Contacting Non-Voters Urging Ballots Be Cast and Attempting to Influence Result. Would Register Traders, Salesmen, Employees, Partners and Officers. Vast Cost of Such Plan a Problem of the Membership. Should Be Defeated.

As our readers are aware, in recent editorials we have opposed proposed amendments of the NASD by-laws under which the registration of salesmen, traders, partners, officers and other employees is contemplated.

Last week, we summarized a number of the grounds which actuated our opposition.

We inquired into the purposes of the Governors in circulating these proposed amendments, and voiced our displeasure with the absence of frank discussion and the failure to lay those purposes before member firms.

We thought the method used in circulating the ballot did not lend itself to secrecy.

Pointing out that the identity of those who voted would not be a secret, we expressed the fear that pressure would be brought to bear upon the non-voters.

It has come to pass!

We are in receipt of a communication from a Portland, Me., dealer in which he says:

"Relative to your statement in the 'Chronicle' of June 28, 1945, 'However, this is certain, there will be no secret as to those who have not cast a ballot.' The enclosed notice proves you are correct as usual, and you will note that there is no secrecy as to who votes because the enclosed notice emanates from the chairman of a district committee and not the association's headquarters in Philadelphia."

With the above, there was enclosed a letter addressed "To Members of District 14" and signed by the Chairman of that District.

We quote in part from that letter:

"On July 6 there had not been received in Philadelphia headquarters your ballot on the proposed amendment to the By-Laws and Rules of Fair Practice re registration of partners, officers, and certain employees of member firms. Your co-operation as a member of the Association in voting on this important proposal is earnestly requested in order that as full an expression of opinion as possible should be obtained."

"If you have lost or misplaced your ballot and related material, please advise the Secretary promptly."

There has also come into our possession, a letter sent to the non-voters in the current poll who are attached to District

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The International Bank

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Senator Taft, in Asking for a Postponement of Senate Consideration of the Bill for Approving the International Bank for Reconstruction and Development, Asserts That This Institution Involves a More Important Departure in American Economic Policy Than the International Monetary Fund. Holds That (1) Foreign Lending on Scale Contemplated Is Wasteful and Dangerous; (2) That It Has Little Relation to Permanent Peace, and (3) That a Large Scale Policy of Foreign Investment Even by Private Capital, Is Open to Serious Question. Says Foreign Trade Produced Solely by Credit Is Inflationary.

Robert A. Taft

The bill which provides for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development is assigned for consideration next week. I am speaking today to urge upon the Senate, its majority leader, and its members the desirability of postponing action on this bill, at least until we return from the recess. A new Secretary of State has just been appointed. The appointment of a new Secretary of the Treasury has just been announced. While it is true that these gentlemen have formally endorsed the Bretton Woods plans, I do not believe either of them has had time to consider the sweeping implications of the permanent financial policies we are asked to endorse. These two institutions are only fractions of the whole foreign economic policy of the United States. They should be fitted into broader plans, and particularly to the immediate needs of European governments growing out of the war.

Neither the International Fund

*An address by Senator Taft in the United States Senate, July 12, 1945.

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Calls for Clarification Of Terms to Japan

Senator Capehart Says Present Policy Is Prolonging War, May Promote Suicidal Unity of Japan and Cause Famine in That Land.

Homer E. Capehart

Senator Homer E. Capehart (R., Ind.) on July 12 addressed the Senate in explanation of the statements he had previously made regarding reports of peace feelers by the Japanese and called for publicity in this matter rather than keep the people "in the dark until advised of accomplished facts." He also urged that the peace terms be publicly clarified so as "to shorten the war, save many lives and create a more stable condition." The text of Senator Capehart's statement follows:

Mr. President, disclosures have now been made to the American people of such a nature as to impel me to ask the indulgence of the Senate while I discuss briefly a matter of grave importance to our nation.

Three weeks ago I made a public statement to the effect that I had received information that Japanese peace feelers had been made, which, if correctly reported to me, should be acceptable to us; and that our people should be given the facts as to any such proposals, if so made. I did not elaborate upon that brief statement. I did not think such elaboration necessary or proper at that time.

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Here Are Some More Expressions Regarding Competitive Bidding

In our issue of July 12, on page 188, there appeared the first group of the large volume of letters received in response to a request made previously for comments by readers on the subject of competitive bidding. The sole purpose in mind was to obtain the views of dealers in corporate securities as to how this method of marketing railroad and public utility issues had worked out in actual practice, now that the procedure has been in effect for some time. In asking for opinions, attention was called to the reported intentions of proponents of the auction bid principle to bring industrial offerings, along with rails and utilities, within its scope.

In giving herewith some more of the letters received on the subject, we wish to note that others already in hand will be given in subsequent issues and that we shall be pleased to receive the views of others who have not as yet acted on our suggestion. Communications should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York City 8, N. Y. **Naturally, in no instance will the identity of the correspondent be revealed if a request for anonymity is made.**

* * * * *

R. W. COURTS

Courts & Co., Atlanta, Ga.

We have recognized there was some justice in competitive bidding for railroad and public utility securities. Operating results and earnings are available periodically on pretty much standardized forms and it is easily possible for any firm or firms to follow results. As to physical properties, bidders could always call for an engineering report. Therefore, competitive bidding might be considered practical, that bids would be based on condition of the money market, institutional buyers, etc., which information is generally available to prospective bidders.

The above conditions are not true in the industrial picture. Accounting practices are not standardized. There is wide divergence in operations and problems. Many companies by the nature of the business have larger inventories, larger accounts receivable, operations are much more sensitive to fluctuations both seasonal and for other reasons. Competition is terrific and therefore tremendous emphasis must be put upon management not only for ability but for ability in the particular enterprise in which they are engaged. The very nature of the business of industrial companies changes rapidly and some companies may change managements to meet the situations, others may not.

It is apparent to me that industrial companies need bankers that will work with them continually, knowing their pictures and problems and having the feel of their situations. If industrial companies were left at the mercy of competitive bidders, I would feel that they would be in a highly precarious position, and I am therefore very definitely against any law that would require such competitive bidding in financing industrial corporations. If any industrial corporation is so sound and good that it wants competitive bidding, all they have to do is to ask for it.

* * * *

A CHICAGO DEALER

I believe competitive bidding in connection with public utility and railroad securities has resulted in:

First. Increasing price of new offerings to the public.

Second. Reducing the profit to investment bankers to an unreasonable degree.

Anyone's opinion as to the results mentioned above depends, of course, upon his point of view. It seems to me that extra emphasis has been placed, and properly so, on protecting the investor who is placing new money in an enterprise. Clearly the new investor is not being benefited.

Competitive bidding for the high grade industrial issues would in my opinion show identical results.

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BOSTON

New Reynolds Phone

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that effective July 23 their telephone number will be changed to REctor 2-8600.

PHILADELPHIA

SALT LAKE CITY

SPARTANBURG

Proposes a Post-War Transportation Survey

Representative Lea Sees Need of Remedies for Flaws in the National Transportation Policy. Says Nation Has Problem of Coordinating Different Types of Transportation With a View to the Public Interest.

Representative Clarence F. Lea (D., Cal.), Chairman of the House Committee on Interstate and Foreign Commerce, on July 12, introduced in the House of Representatives a resolution authorizing an investigation of the nation's transportation situation with particular reference to post-war problems.

Clarence F. Lea

The proposal, Rep. Lea stated, stems from a growing realization on the part of the Subcommittee on Transportation of the Committee on Interstate and Foreign Commerce, that in this field of industry we face a most perplexing and vital post-war problem. This realization, he said, is shared by the full committee.

In his remarks on the resolution, Mr. Lea stated:

"This problem is vital because transportation is the connecting link between our producing machine and the consuming public. Without adequate, economical transportation our whole economy can bog down no matter how much energy, wisdom and capital our industrial executives may put into the other phases of reconversion from a war economy to an economy of peace.

"Failure to provide legislative remedies for the flaws in our national transportation policy, which we all know are there, and failure to focus the thought of leaders in the transportation field upon their own responsibility, apart from legislation, in meeting their post-war problems, can prolong by many years the nation's period of reconversion to peace. Indeed, it can even throw our economy into chaos.

"In spite of the overwhelming importance of these problems, our planning to date for a national transportation system geared to a post-war United States, has been sporadic, haphazard and uncoordinated.

"I am fortunate, as Chairman of the Interstate and Foreign Commerce Committee, to have for this proposed inquiry a Subcommittee on Transportation of ability and experience. Through long service on the committee they have an intimate knowledge of the development of the problems with which we must deal.

"Aside from myself, who will serve as Chairman of the Subcommittee, our members are: Robert Crosser, Ohio; Alfred L. Bulwinkle, North Carolina; Lyle H. Boren, Oklahoma; J. Percy Priest, Tennessee; Oren Harris, Arkansas; George G. Sadowski, Michigan; Charles A. Wolverton, New Jer-

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NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

NSTA ADVERTISING NOTES

"40 WITH 8"

This week we feel congratulatory. We are over $6,000 gross on advertising for the "Chronicle's" NSTA Supplement, and it is our firm belief that we'll pass the mark of 1944 which, as you all know, was the high since 1939.

May we congratulate Hart Smith & Co., New York, for signing up for the back cover which is as you know, the largest ad obtainable in our supplement. Hart Smith & Co. are repeating their performance of last year We are also congratulating Ray P. Bernardi, our Detroit District Chairman, of Cray, McFawn & Co., for sending in five contracts, including some new accounts. This is grand, Ray, and we only regret that the ODT will not permit you to do some traveling for our National Advertising Committee.

KIM our slogan "40 with 8," and may it next week be "40 over 8."—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.

F. P. Elwes Joins Albert Frank Agency

Frederick P. Elwes, formerly of Lehman Brothers and previously for ten years with the "Wall Street Journal" on the editorial staff, has become associated with Albert Frank-Guenther Law in New York as a member of the publicity staff. Mr. Elwes recently returned from three years of service in the A. U. S. Before joining the staff of the "Wall Street Journal" in 1920, Mr. Elwes attended Columbia University School of Journalism.

Public Utility Securities

The New Columbia Gas Plan

The three plans already put forth for Columbia Gas & Electric's integration program (one official, and two tentative proposals by stockholder interests) have been superseded by a fourth plan, major details of which were released by the SEC last Friday. The managements of Columbia and of United Corporation, its principal stockholder, have agreed on the revised program, which may be summarized as follows:

(1) Columbia will sell to Cincinnati Gas & Electric for cash its investment in several small electric subsidiaries but will make a capital contribution of almost an equal amount. Another small subsidiary will be transferred to Dayton Power & Light.

(2) Following these corporate changes Cincinnati will refinance its bonds and preferred stock and steps will also be taken to improve Dayton's capital structure.

(3) Columbia will then sell its holdings of common stocks in the Cincinnati and Dayton companies, an initial offer being made to its own common stockholders.

(4) Columbia will sell $80-85,000,000 new debentures and its subsidiary United Fuel Gas will also sell some $25,000,000 bonds, repaying its book debt to Columbia with the proceeds.

(5) Using present treasury cash, proceeds of the Cincinnati-Dayton stock sales, and $110,000,000 or more to be realized by the two bond sales, Columbia will retire all its present debentures and preferred stocks.

Columbia's two issues of debenture 5s total (at call prices) about $79,000,000 and the three issues of preferred and preference stocks at their respective call prices aggregate nearly $120,000,000. To retire the five isues of bonds and stocks at call prices, together with incidental expenses, would require about $200,000,000. Columbia probably has at least $15,000,000 "free" cash in its own treasury and might realize some $110,000,000 from bond sales by itself and United Fuel Gas. This would indicate an estimated valuation for the Dayton and Cincinnati stocks of about $75,000,000.

In the twelve months ending March 31, 1945, Dayton, after paying $3,019,000 excess profits taxes, had a balance for common stock of $1,109,239; and Cincinnati after paying EPT of $2,755,765 had a balance for common of $1,891,982. If excess profits taxes were eliminated and the 40% income tax rate substituted, Dayton's earnings would be increased to about $2,600,000 and Cincinnati's to $3,270,000, or a total of $5,870,000. Refunding savings should substantially increase the earnings but on the other hand rate cuts, possible tax increases due to sale of electric properties, and revenue losses due to industrial reconversion might reduce earnings. Thus the two companies might have estimated post-war normal earnings of around $5,500,000-$6,000,000. This tallies with the Stone & Webster estimate of about $5,600,000, obtainable indirectly from the table on page 7 of the original plan dated December 20, 1944. Sale of the stocks to average 15 times the estimated post-war earnings (the recent average for 50 electric, electric-gas stocks was 15.7) should therefore net around $75-$80,000,000.

The new plan appears much more likely to succeed than the old one, since it avoids the two issues as to valuation of total assets, and division of those assets between the three kinds of stock (preferred, preference and common). It is cleaner-cut and seems to conform to SEC standards as to capitalization. While there may be a slight increase in Columbia's parent company debt, this debt is not excessive in relation to assets and earnings. Gross corporate income, even after deducting income from electric companies, should remain adequate to cover fixed charges at least four times, it is estimated. On the other hand, consummation of the plan may involve considerably more delay than the original plan, since it will prove desirable to await post-war earnings gains resulting from the elimination of EPT before disposing of Dayton and Cincinnati equities.

The attitude of the recently-formed protective committee for common stockholders has not yet been indicated, but except for minor details the new plan seems to conform to the proposals made by the committee (represented by Alfred Berman of Guggenheimer, Untermyer & Marshall, as counsel).

While the preliminary outline of the plan is not specific, it appears likely that all the Columbia senior securities might be retired at call prices. They are currently selling as follows as compared with the redemption prices:

	Approx. Price	Call Price
Debenture 5s, 1952	105	102
Debenture 5s, 1961	106	103
6% preferred stock	104	110
5% preferred stock	102	105
Preference stock	91	100

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Tomorrow's Markets Walter Whyte Says—

Current action presages dull July but active August market. British elections expected to furnish fuel for Wall Street talk.

By WALTER WHYTE

Fundamentals are one thing this writer likes to keep away from. It isn't that fundamentals are unimportant, they're not, but from a stock market viewpoint, particularly a technical viewpoint, the basic reasons or causes of changes in trends, or fluctuations, are indicated by action long before the reasons behind these actions have become known. Yet there are times when certain basic reasons must be discussed, even though the changes foreseen may never occur.

* * *

Since V-E Day there has been considerable talk about reconversion. Practically everybody agreed, and for that matter still agrees, that the motors will do a terrific amount of business while the plane manufacturers will die on the vine. Practically all the statistics one can get bear out

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Railroad Securities

New York Central Common

Of all of the major Class I carriers, technical action of New York Central common has been most disappointing in the past six months, having been held down in part by the threat of D. & H. liquidation of its remaining sizable holdings. As of the last reported date, D. & H. held some 209,000 shares or approximately 3% of the total amount of stock outstanding.

Some of the reasons for the relatively unsatisfactory technical position, however, lie in several unfavorable fundamental factors besetting the Central. First, this carrier has considerable parallel mileage, together with rather heavy lease rentals. A case in point is that of the Boston & Albany which under normal conditions usually operates at a deficit. Second, New York Central has considerable branch mileage. Formerly a source of traffic strength, since branches acted as a feeder to main line traffic, today branch mileage is a source of weakness due to the element of truck competition. Third, New York Central has a substantial amount of passenger business, operating as it does a number of crack trains between New York and the two important western termini of Chicago and St. Louis. Under normal conditions, employing an ICC formula, this passenger traffic is carried at a loss. During the war period, because of the sizable increase in passenger traffic, it has been very profitable. Post-war, however, most of the war-generated passenger traffic will be lost and additionally its high class Pullman traffic will feel the effect of airplane competition between New York and Chicago as well as St. Louis. That portion of passenger traffic which is likely to be retained will probably be held on the rails at a considerable expense in the form of luxury services, by modernizing numerous antiquated station facilities and through the expenditure of many millions of dollars for new passenger equipment.

Lastly, the area primarily served by the Central, namely the industrial tier of states such as New York, Ohio, Indiana and Illinois has lost considerable industry to the South, Southwest and Pacific Coast. The recent decision of the ICC altering class rates to the disadvantage of the eastern carriers, will further accelerate this tendency.

Despite these elements of weakness—and they must be given their proper weight in evaluating the investment merit of New York Central equity—the outlook for this company over the next four to five years appears very bright. In the first place, it is generally conceded that the reconversion of the consumer goods industry will result in industrial activity at a rate hitherto not seen in the United States. Forecasts of 6 million automobiles per year for a period of five years, of a building boom, of 15 million radios, 3.8 million refrigerators, 2.7 million of washing machines, etc., are frequently heard. Obviously, if such estimates are realized New York Central's traffic will be very heavy for a period of years. Secondly, New York Central has taken advantage of the war period to build up its financial position to a state of virtual impregnability. Throughout 1931-1935 inclusive, New York Central had a working capital deficit of some $30 million. Even in 1938 working capital had been increased to only $15.7 million. However, by the end of 1944 working capital had been increased to $118.9 million, despite a reduction of funded debt of over $250 million, on a consolidated basis, from 1933. Effect of a reduction of debt of this magnitude is seen in the reduction of fixed charges from $62.8 million prior to the inauguration of the policy to $44.3 million currently.

The 1944 year-end working capital figure of $118.9 million is somewhat of an understatement in that New York Central had $35.5 million investments in emergency facilities currently being amortized on a five year basis. This is equivalent to $5.51 per share. At the conclusion of hostilities with Japan a minimum of at least 60% of this amount will be available to increase working capital through the medium of tax credits permissible under the Revenue Act of 1942.

New York Central's earnings have fluctuated widely during the past decade. During the 1930s numerous deficits were reported and even in the year 1936 only $1.79 per share was shown. However, gross and net revenues rose sharply during the war and earnings per share amounted to $7.61 in 1942, $9.73 in 1943 and $5.55 in 1944. Thus far in 1945, for the five months ending May 31, net railway operating income amounted to $22.4 million as against $26.3 million for the corresponding period a year ago. For the full year earnings should be in the neighborhood of $5 or thereabouts per share.

Some investors fear that were the war with Japan to cease suddenly New York Central's earnings would drop precipitously. It is true, of course, that gross revenues would contract but stockholders will definitely benefit from a sizable tax cushion. For instance, Federal income and excess profits taxes in 1943 amounted to $74.6 million and in 1944, $50.9 million. This cushion will result in the maintenance of earning power at a satisfactory level during the reconversion period at a minimum of approximately $3.50 per share and post-war, for a period of approximately five years during which the accumulated deferred demands of the war will be reflected in manufacturing activity at an unprecedented rate, earnings should average $5 per share.

There has been criticism in some quarters of New York Central's handling of its affairs. Several years ago when their junior debt was available at 40-50c on the dollar, the management, instead of concentrating on open

(Continued on page 312)

Eakin President of Cleveland Bond Club

CLEVELAND, OHIO—Paul J. Eakin, partner in Hornblower & Weeks, was elected President of the Bond Club of Cleveland at a meeting of the Board of Governors at the Mid Day Club, succeeding Herman Sheedy, of McDonald & Co. Mr. Eakin, who has been active in the affairs of the club, last year was Vice-President.

Walter B. Carleton, Fahey, Clark & Co., was elected Vice-President, and John Hay, of Merrill, Turben & Co., was named Treasurer. Rudford K. Wilson, Curtiss, House & Co., was reelected Secretary.

J. W. F. Potter Dead

J. W. Fuller Potter, a member of the New York Stock Exchange since 1904, died at Post Graduate Hospital after a long illness. Mr. Potter founded the brokerage firm of Potter & Co. in 1906. It was merged in 1931 with Munds & Winslow. In recent years he was associated with Laird, Bissell & Meeds, 120 Broadway, New York City.

Euper With Douglass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Thomas J. Euper is with Nelson Douglass & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Euper was formerly with J. A. Hogle & Co. and Turner-Poindexter & Co.

Business Man's Bookshelf

Bank Liquidity and the War—Charles R. Whittlesey—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—50c.

Bilateralism and the Future of International Trade—Howard S. Ellis—International Finance Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper.

England's Decadent International Economy—Dr. Wm. F. Hauhart—C. C. Nelson Publishing Company, Appleton, Wis.—board.

Incidence of Excess Profits Taxation, The—Marion Hamilton Gillim—Columbia University Press, New York City—cloth—$2.75.

Planning Neighborhood Shopping Centers—Purchasing Power as a Yardstick in Developing New Patterns for Commercial Centers—National Committee on Housing, Inc., 512 Fifth Avenue, New York 18, N. Y.—paper—$1.00.

Postwar Foreign Trade Employment and Sales Prospects in Ohio—Eugene Van Cleef—Bureau of Business Research, The Ohio State University, Columbus, Ohio—paper.

Publishing Industry, The—A study—E. W. Aexe & Co., Inc., 730 Fifth Avenue, New York City—paper—40c (free to public libraries and nonprofit institutions).

Survey of the New York City Market—Graphic information on purchasing power, population, housing, nature and extent of business activities, types of retail stores, mechanical refrigerator and central heating systems—Consolidated Edison Company, 4 Irving Place, New York 3, N. Y.

Real Estate Securities

HOTEL DRAKE CORPORATION

Plan to Install Bar and Cocktail Lounge Earnings Show Increase

We quote from a letter of the Corporation, dated July 3, 1945, to holders of First 5% Sinking Fund Bonds:

The Hotel Drake, which occupies an L-shaped plot on the northwest corner of 56th Street and Park Avenue, fronting 67 feet 1 inch on Park Avenue and 185 feet on 56th Street, was constructed when the Eighteenth Amendment to the United States Constitution, prohibiting the sale of liquor, was in effect. Consequently, it was not equipped with a public bar or cocktail lounge.

Since the reorganization of the Hotel Drake mortgage, the Board of Directors and also the Managing Agent (Bing & Bing, Inc.) have given continuous and careful study to the question of whether the addition of such facilities would add to the value of the hotel. The non-availability of funds for the construction of these new accommodations has been a factor in delaying the recommendation of their installation.

As a result of the studies which have been made, the Board of Directors and the Managing Agent unanimously join in recommending that there be now created in the Hotel Drake a bar and combination cocktail lounge and auxiliary dining room in the space presently occupied in part by the hotel lounge, which heretofore has been used for general purposes, special functions, and as a summer dining room, and in part by the space now occupied by the westerly dress shop, the lease of which expires Sept. 30, 1945. This will give the room a needed separate street entrance on 56th Street as well as an entrance from the hotel lobby. It is planned to install a semi-circular bar about 25 feet in length, entirely to change the decoration of the present room, including a new hung ceiling, new lighting effects, new retiring rooms, a coat room, added air conditioning, and all other items needed to provide a suitable addition to the facilities of the Hotel Drake in this connection.

It is believed by the Board of Directors and by the Managing Agent that the restaurant and bar business of the hotel can be considerably expanded by the addition of these increased and more attractive facilities; that the improvement will serve to publicize and popularize the Hotel Drake, and that it will produce a substantial additional income.

The operation of this room will not require any physical expansion of the kitchen facilities.

The cost of this capital improvement is estimated at $60,000. There is set aside in the capital improvement fund the sum of $20,486.36, but it is deemed undesirable to utilize any of this money so set aside in order to keep it in reserve for the making of needed structural changes in the living apartments as soon as permission therefor is obtainable from governmental agencies. Consequently, the whole of this sum of $60,000 should be payable from the net income of the Hotel Drake.

It is believed that the net income of the Hotel Drake for the six months beginning July 1, 1945 will be more than sufficient to cover the cost of this improvement and that even if the whole of such cost be charged against such six-months period, there will still remain some net income for said period to be distributed among the bondholders. The "net income" as defined in the indenture of the Hotel Drake for the six months ended Dec. 31, 1944 was $127,356.37 including a net real estate tax refund of $19,872.40. So far, the year 1945 has shown a substantial advance over the corresponding period of 1944. For the first four months of 1944 the "net income" of the Hotel Drake was $93,051.95, while for the first four months of 1945, the "net income" of the Hotel Drake is estimated at $120,400.

New Members of Board Of For'n Trade Council

Dr. Henry F. Grady, President of the American President Lines, San Francisco, Cal., and Charles A. Kirk, Vice-President of the International Business Machines Corp., Endicott, N. Y., have been elected members of the board of directors of the National Foreign Trade Council. Dr. Grady, formerly Assistant Secretary of State, is also Chairman of the Federal Reserve Bank of San Francisco. He served as Chief of the Economic Section, Allied Control Commission, Rome, Italy, and retired from that post in July, 1944. More recently, he was an associate of Eugene P. Thomas, President of the Council, as Consultant to the United States delegation at the San Francisco Conference. Mr. Kirk is a director of International Business Machines Corp.

Officers and members of the staff of the Council, as of July 6, 1945, are: Chairman of the Board, John Abbink; President, Eugene P. Thomas; Vice-President, William S. Swingle; Secretary, Robert A. Breen; Assistant Vice-President and Assistant Treasurer, Edward L. Behr, Jr.; Trade Adviser, John Quirk; Research Director, P. T. Hitchens, and Publicity Director, Fred D. Fremd.

Dealer-Broker Investment Recommendations and Literature

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

Coal and Textiles—Two most critical products essential to the rehabilitation of Europe—Descriptions available on a number of attractive securities of companies in these two and their related industries—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Current Events and the Market—in their Weekly Review—Sutro & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Market Comment—Whys and wherefores of rise in quotations over the last 3¼ years—Byfield & Co., 61 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.

Pennsylvania Tax Free Common Stocks (on which dividends have been paid in each of the 16 years from 1929 to 1944—Harper & Turner, Inc., 1411 Walnut Street, Philadelphia 2, Pa.

Value Line Investment Survey—Four weeks' trial subscription will bring the Ratings on 200 stocks; reports on 50 special situations; the supervised account, and fortnightly letters—for only $5.00—write to C-4—The Value Line, 350 Madison Avenue, New York 7, 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.**

Atlanta & West Point Railroad—Circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

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.

Burton-Dixie Corporation—memoranudum—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill.

"C. P. R."—Links Canada with the Four Corners of the World—an eight-page pamphlet outlining the substantial financial improvement marking the operations of the C. P. R. over the past six years—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

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.

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.

Empire District Electric—Descriptive memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Eastern Corp.** and **Metal & Thermit Corp.**

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.**

Girdler Corporation—descriptive circular—The Bankers Bond Co., Kentucky Home Life Building, Louisville 2, Ky.

Gro-Cord Rubber Company—Statistical memorandum on postwar 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.

Holophane Company, Inc.—Discussion of outlook for this manufacturer of scientific lighting—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

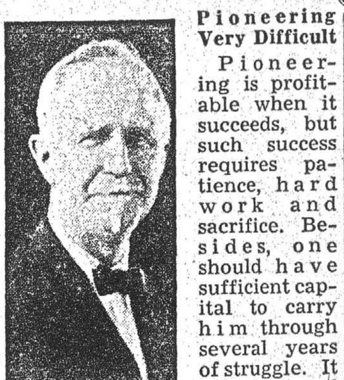
Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

(Continued on page 328)

Post-War Warnings

Roger W. Babson Advises Parents of Service Men

BABSON PARK, MASS.—Too many returning service men want to go into business for themselves. This is a good sign of initiative, independence and enterprise; but let me warn such that starting a business of one's own is a serious and risky matter. Better buy into a going business; — if possible one in which one's family is now engaged.



Roger W. Babson

Pioneering Very Difficult

Pioneering is profitable when it succeeds, but such success requires patience, hard work and sacrifice. Besides, one should have sufficient capital to carry him through several years of struggle. It is believed that over 90% of the people starting new businesses fail. This statement applies not only to developing new kinds of business, but also to starting new factories or opening new stores in competition with existing factories and stores.

The great mass of people are actuated by their acquired habits. They tend to purchase at the same store, year in and year out, although other stores may give better service. They buy the same kind of food, shoes and household goods even though better products are in the market for less money. They read the same newspaper and magazines, making it very difficult for a new publication to get a foothold. Established habits make it especially hard for new concerns.

Need of More Education

Of course, there are enough exceptions to the above rule to bait on newcomers who try to do likewise. The few successful new firms, like the few winners in a lottery, keep people continually starting new businesses. I am strongly in favor of helping the small businessman who is already operating a small factory or retail store. But I do advise parents of returning veterans to warn their sons against trying to be pioneers unless they have great patience, good health and sufficient capital. Better buy an established business. But to succeed in any business a man should have a business education.

Therefore, returning service men should go to some school to learn the basic principles of business or else get a job which will enable them to learn such principles. It is a great mistake to go out into the post-war business world without first studying Economics, Accounting, Distribution and Production whether you are to have a business of your own some day, or are always to work for some one else.

Analyze Your Sons

Every returned service man should analyze himself and determine for what he is best fitted. Here are the six main groups: (1) The **Professions,** such as medicine, law and the ministry. (2) **Engineering,** including chemistry and electricity. (3) **Real Estate,** building and construction work. (4) **Agriculture,** forestry and horticulture. (5) **Manufacturing,** designing and assembling. (6) **Merchandising,** advertising and promotion. But to succeed under competitive post-war conditions, in any one of these groups, a man should have a year's education in business.

To help returning service men get such a business education the U. S. Government will give $500 per year for tuition and $50 a month for board and lodging, with perhaps certain additional aid for men with children. Certainly, every returning service man should jump at this chance. In years to come he will look back upon such **training** for business as the most valuable year of his life.

Play Safe

Just one more word to service men: Don't get hipped with the idea that you should go into electronics, plastics, aviation or some other "new glamorous industry." Don't go back on the old and established industries. Remember that of the 886 concerns which began to manufacture radios following World War I, only 144 now exist! Remember that for every one airplane sold during the post-war era there will be sold a million loaves of bread! Remember that since the days when our great, great, grandparents read by candle light, the humble candle has been subject to fierce competition by whale oil, kerosene, gaslight and electricity. Yet more candles were sold last year than in any previous year of our history!

Heavy Cutbacks Due by Year's End

Although the defeat of Germany has not yet made much of a dent in the volume of war production, which is now running about 10% below the peak, by December such production will be about one-third less than the peak. This is the latest authoritative estimate. It is predicated, of course, on the continuance of the Japanese war through 1945.

In some items production already has been cut far more than the overall figure of 10%. The merchant-vessel program is nearing conclusion, and will be out of the way by the end of the year. Land-based bombers other than B-29s have been cut down very materially. The bomb program remains fairly high.

Navy cutbacks are taking place only very gradually, which is understandable, in view of the nature of the war in the Pacific.

The following facts about the military cutback program are taken from the July 16th issue of "Business Action," published weekly by the Chamber of Commerce of the United States:

The month in which V-E Day fell brought a $7.6 billion war production cutback, about half of which represented slashes in 1945 contracts and the remainder in 1946 schedules.

As of June 2, the total 1945 munitions program was about 13% less than the two-front war schedule of $60 billion on March 1. WPB officials estimate that by the end of 1945, the rate of munitions production will be 23 per cent lower than the current schedule.

Only superb government handling of employer-employee relations and a high degree of cooperation by management-labor groups can prevent greatly-increased labor difficulties.

Official government figures show that war contract cutbacks decided upon by military chieftains in May totalled $7.6 billion, with the Army Air Forces responsible for $4.3 billion, the Army Service Forces $3 billion and the Navy $332 million.

These figures led to total contract terminations of $5.1 billion in May, which compared with $1.8 billion in April. At the same time, the rate of contract settlement jumped to $1.7 billion from $800 million for each of the first three months of the year.

While the combined impact of airplane and automotive equipment cutbacks made Michigan the center of May reductions, the effects of the V-E Day readjustment have been felt over a wide area. Since the first of the year, WPB says about half of the gross monthly cuts in large prime contracts were made in only four states—Michigan (18%), California (11%), Illinois (10%) and New York (9%).

This year's war expenditures through July 11 were $2.431 billion, compared with $2.383 billion during the comparable 1944 period; receipts were $818 million compared with $747 million a year ago, and the year's net deficit was $2 billion, compared with $2.2 billion.

Syndicate of 135 Firms Offers Bethlehem Bonds

Public offering of a new issue of $75,000,000 consolidated mortgage 25-year sinking fund 3¾% bonds, series I, of Bethlehem Steel Corp. was made July 17 by a nationwide syndicate of 135 houses headed by Kuhn, Loeb & Co., Smith, Barney & Co., and Mellon Securities Corp. Other principal underwriters include Harriman Ripley & Co., Inc.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp.; Goldman, Sachs & Co.; Hemphill, Noyes & Co.; A. G. Becker & Co., Inc.; Eastman, Dillon & Co.; Hornblower & Weeks, and Lee Higginson Corp.

The bonds are due July 15, 1970 and are priced at 100½% and accrued interest. A sinking fund is provided sufficient to retire on July 15, 1953, and on each July 15 thereafter, 2% of the total principal amount.

Proceeds from the present offering will be applied, together with other moneys to be supplied by Bethlehem Steel Co. (Pa.), a subsidiary, to the purchase or redemption on or before Oct. 1, 1945, of the $22,333,000 of consolidated mortgage 20-year sinking fund 3¼s, Series F; the $30,000,000 of consolidated mortgage 20-year sinking fund 3s, Series G, and the $40,000,000 of consolidated mortgage 25-year sinking fund 3¼s, Series H, outstanding with the public.

Capital Securities Co. Formed in Oakland

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — Capital Securities Co. has been formed with offices at 29 Grand Avenue to engage in a securities business. Partners are Joseph E. Biallas, formerly with Waldron & Co., and E. C. Street.

Associated with the firm are Fred A. Coffin, Frank D. Connolly, Calvin L. DuCharme, Morris Eisenstadt, E. V. Fugatt, Irene D. Osborn, J. E. Pace, Edward H. Schultz, William L. Stuart, John C. Walker, and Walter F. West.

Bursley & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, IND.—Bursley & Company, Inc., has been formed with offices at 501 South Clinton Street to engage in an investment business.

Here Are Some More Expressions Regarding Competitive Bidding

(Continued from page 300)

I would prefer that my name be kept confidential as it would add nothing beyond the opinion that one investment dealer is opposed to competitive bidding for industrial issues.

* * * *

W. A. HOLMAN

President, Jones, Holman & Co., Portland, Maine

Is competitive bidding good or bad? We recognize that conditions prevent dogmatic answers. Theoretically we would say yes, but actually we feel convinced that the large investment underwriting firms, in full possession of all the history and facts, having the financial ability to undertake large underwritings and retaining competent statistical and legal staffs represent something more important than mere competition.

After forty years experience we feel that these investment bankers have the means to assure Utility Companies of their ability to carry out and safeguard the various interests concerned.

On the whole we believe institutions and investors have been well served in the past and think we ought not lightly substitute theory for experience.

* * * *

ARTHUR L. WRIGHT

Arthur L. Wright & Co., Inc. Philadelphia

We are opposed to the principle and practice for many reasons, but specifically for two reasons:

1. We feel definitely, in the light of observation, that corporate securities are being offered at too high a price from our customers' welfare and point of view. Designed to some extent to protect the purchaser, actually it gives him securities at the very top price and many times well above for new securities.

2. The competitive bidding practice is actually forcing a large percentage of security dealers out of the distribution of new securities. The mechanics of securing a participation and then disposing of the securities is almost impossible to execute, unless the dealer feels financially and mentally able to participate in the original Underwriting Group.

This factor is perhaps unimportant now with so much money available for investment and with interest rates very low and perhaps going lower, but we feel in a different type of market, as we will eventually have, the distributing ability of say 5,000 smaller dealers could be important—almost essential—if we are to continue wide distribution of new securities.

We could expand this subject but we do feel the two reasons mentioned briefly above are the principal objections, so far as we are concerned. It is our experience, not a theory.

* * * *

A NEW YORK DEALER

While I do not feel that I am thoroughly conversant with this phase of financing nor do I understand the subject too well, I would like to give you my opinion and ask you not to reveal my name.

We have always tried to carry on our business on a competitive basis. We never entertained or made social contacts or bought business. It has proven its value to us in the past three years. We are doing very well with a limited amount of capital.

I recall one situation which I think might be worthy of relating to you. In the early twenties certain large industries were unable to collect their accounts payable from customers and in one industry there were several large units which went into receivership. There was one leader in this industry which did not go into bankruptcy because it was able to secure financial aid. Two very expert statisticians were unable to find a discrepancy of nine million dollars in the balance sheet of this company which had just financed for 30 million dollars at 7%. They both believed they knew the answer but did not state it. Rather, they wrote their opinions on a piece of paper and exchanged notes. They had both written that the discrepancy of nine million was the commission exacted by the bankers. It seems like a big price to have to pay in addition to a high coupon rate of 7%.

I feel that the officers and directors of a corporation should have the interest of all their security holders and employees in mind when in need of financing and therefore endeavors to get the best possible terms. It also permits the company to compete more economically in the national and world markets for business. Competitive bidding is essential when financing industries regardless of the type.

* * * *

ALLAN J. HENRY

Allan J. Henry & Co., Wilmington, Delaware

I believe that the banker or investment banker (whichever term is suitable in the present instance) should be in a position to serve an industrial corporation in much the same manner as does a bank. Under competitive bidding which would be apt to cause a change or changes in a corporation's banker, this would not seem to be possible. Moreover, I do not think that competitive bidding as a rule saves money for the corporations in the long run, and does not,

(Continued on page 309)

"Margin for Error"

(Continued from first page)

mand a wider profit margin in their transactions or be driven to acting merely as brokers in transactions. **If this situation occurs, there will not be adequate means of stabilizing the prices of many securities.** There will be no proper agencies for creating and maintaining a market, and small or local business concerns in need of financing or desiring to established an equity value for their capital issues will be handicapped to the nth degree.

A Hit at Free Enterprise

Nothing more damaging to business expansion and to the encouragement of independent business enterprise could hardly be conceived! At a time when New Deal and Administration statesmen are widely calling for "protection and encouragement to small business," and when Congress is passing or considering legislation to help small concerns in competing with large "monopolistic organizations," a leading agency of the Federal Government deals a knock-out blow to small and local corporations in need of capital, and thus stuns private initiative. **A more inconsistent and contradictory policy of business regulation could hardly be imagined!** It is like offering a child candy and at the same time tying its arms to its back and covering its mouth so it cannot reach it.

One has only to read the recently printed "Eighteenth" Report of the War Production Board to verify this. In this document, Chairman Krug stated:

"It is a fact of common knowledge that there is almost a complete absence of financial facilities for small business in the intermediate and long-term credit fields. Private investors have become security conscious and tax rates deter people of capital from risk investment. They do not invest in small business as they did 50 or 75 years ago.

"Very few small businessmen turn to the investment market. Those who do must flounder in a sea of trouble. The small man's name and financial record are unknown. The capital he requires doesn't justify the overhead cost of selling to the public. The general public is indifferent to small company securities.

"As a result only a very few smaller firms secure funds in this way. And when they do the cost of floating such securities averages from 15 to 20% of the total proceeds or about three to six times the cost to larger companies.

"This lack of intermediate and long-term financing facilities has been with us for a long time. It will be in evidence during the reconversion period, and just at the wrong time.

"Then small businessmen will need money badly and in a hurry.

"Some will need it to reconvert their plants to their former civilian lines. Many will wish to develop new processes started during the war. And in almost all instances the demand will be for intermediate and long-term financing.

"In this we must act now—this is a job of immediate importance since partial reconversion already is here."

Yet, in spite of all this, the Federal Reserve Board throws a wet blanket on the most available means of creating a capital market for small business concerns,—one that has existed for more than a century. It pulls the props from under the dealer in outside and local securities, while in its place, the War Production Board offers a milk and gruel plan of bureaucratic assistance in the form of Federal insurance of small business loans. What could be more effective in stifling free enterprise than requiring private business to curry the favor of a strait-jacket officialdom? Is not private banking already sufficiently hampered by the unfair competition of government agencies? Haven't we already enough of super-statism? Why burden the taxpayer with the risks that should fall upon individual investors?

Misdirected Motives

No one would really question the alleged motives of the new margin requirements or the proposals to curb inflation! But it has been pointed out time and again in editorial comment and in the spoken and written statements of economists and others, who are expected to know the facts as well as the scientific laws, that financial speculation is a result and not a cause of inflation and that in applying the Eccles curbs, the remedies are more harmful than the disease. (See paper of Emil Schram in the "Chronicle" of June 14, 1945; also article in issue of March 21, entitled "Tax Speculation and Stop Progress.")

When a patient's heart beats too fast, the physician does not prescribe something that will cause it to stop completely or to slow it down to a dangerous degree. He must study and determine in advance the effects of the remedy, not only on the organ affected by the disease but on the whole anatomy. This precaution has not been taken by the Federal Reserve Board in revamping its margin requirements. In order to roast the pig, it threatens to set the whole barn on fire.

Whether one of the motives of the new margin regulations is to drive all securities dealers into organized exchanges, or to require listing of all securities on an exchange, or to concentrate the securities into the hands of a few concerns having almost unlimited capital so as to monopolize the business, we are not in a position to know. **But, whatever the motives, the effect will be just that!** The specialists in outside securities and the small local dealers have performed a necessary and useful function. They have existed long before exchanges were created and they still serve business and investors in all localities throughout the land. It is they who come into personal contact with both buyers and sellers of securities, and when they act as an essential intermediary in the transfer of productive capital, they serve the public and the nation's progress. Their function is so important that it is approaching a professional standing. Moreover, since it is subjected to government regulations from several sources, its utility and importance should be recognized and maintained and not handicapped or destroyed under the guise of abating another evil, not directly connected with its legitimate activities.

The Effect on Small Business

Despite all the slobbering lip service regarding the need for encouraging risk or venture capital, we find that much of the legislation and "administrative decrees" relating to banking, finance, security trading and speculation has had the effect of discouraging the application of capital funds in small or local concerns as well as the public's investments in equity securities.

The Securities and Exchange Act, and the numerous restrictive rules promulgated thereunder, together with the Federal Reserve Board regulations and other similar administrative measures, in seeking to inhibit the excesses of "high finance" and popular participation in financial speculation, have tended to add to the burden of financing moderate-sized and local enterprises, rather than helping them to obtain funds for expansion by furnishing them adequate markets for their outstanding securities. Dealers in inactive and unlisted securities, particularly have been handicapped in carrying out their marketing function because of discrimination against them in the matter of obtaining bank loans on the security of issues handled by them as well as by onerous SEC and NASD regulations.

The Necessity of Bank Loans

The close relation of collateral-secured credit with business expansion is common in modern industrial countries, and has been a conspicuous feature of the American business economy. It was permitted under the old national banking system before 1913 and has been continued under the Federal Reserve System. Because of it, the commercial banks throughout the country have been enabled to carry large deposits with small cash reserves, maintaining their "liquidity" through the large amounts of securities which they hold, both directly and as collateral against loans. In this way, without assuming the risks of direct ownership in business enterprises — as has been common in European countries—the American banks have greatly contributed to growth of capital in productive enterprise, and in addition have assisted the private placement of idle funds. In fact, the bulk of the nation's banking business today—despite what has been said and done against it—comprises not the granting of so-called "self-liquidating" loans based on current exchange of goods and services, but consists in keeping the nation's productive wealth in a fluid and convertible state, so necessary to a psychological atmosphere of "liquidity preference."

If the steady growth of marketable securities as a form of bank assets is to be maintained and continued as in the past, there should be no legislation which would restrict banks from making sound and reasonable collateral loans to dealers who specialize and maintain a steady market in local or unlisted securities. They should, at least, be given the same terms in borrowing as the "floor specialist" who performs the same functions on the listed market as these dealers do in the unlisted market. What constitutes "sound collateral" and a safe loan margin is a matter to be largely determined by the trained judgment of individual bankers. It cannot be left entirely to the definition given in a general law or to a bureaucratic organization.

Unlisted Securities as Loan Collateral

It has been a false belief that only listed securities should qualify as collateral for loans, and that local or unlisted securities are not readily marketable. Experience has proven, however, that listed securities are not always the most readily marketable. Moreover, they are not always the most resistant to rapid and excited price declines. This is due in large part, to the greater factor of speculation in the pricing of listed or actively traded securities. These are apt, at times, to sell, relatively, more above their intrinsic value as investments than the local or inactive groups. Yet, under the new margin regulations, banks are required to demand the same 75% margin on unlisted securities held for resale by dealers as is demanded from the individual speculator in listed securities. This policy handicaps the financing of small or local enterprises and will drive out of business outside dealers. It tends to drive, (as stated above) the securities business into the hands of large houses and concentrate dealings in a few markets.

Handicaps of Over-the-Counter Dealers

Over-the-counter security dealers of all groups, both large and small, like many other business concerns, are certainly unjustly handicapped when they are required to do business without proper borrowing facilities and compelled to rely entirely on their own capital. Imagine, if you will, any wholesale or retail merchandising organization in these days that operates on a low profit turnover which does not require the aid of some form of current borrowing. Thus, grain and other commodity dealers, however large may be their capital resources, could not carry on their business at prevailing low-profit turnovers if they were denied the facility of borrowing on warehouse receipts or chattel mortgages as collateral. Loans secured by commodities in storage and on other inactive inventories have been long common in Europe. The practice may well be extended more widely in this country. Security dealers could maintain and stabilize their markets more readily and more effectively (which is one of their prime economic functions) if they were afforded proper facilities for obtaining loans at reasonable rates secured specifically by the merchandise they carry.

This does not mean that security dealers or brokers should be enabled to borrow without regard to the value or the liquidity of the collateral they offer. It is the essential responsibility of the banker to insist that the quality and the amount of the collateral be adequate. In commenting on this topic, the famous Macmillian Report to the British Parliament remarked: "American banks engage their issuing credit in the eyes of the public for the soundness of the issues they support, and this very fact leads, as it must always do, to a closer and more intimate association between banks and industry than where no such responsibility is assumed."

And, referring specifically to loans on collateral, the report adds: "The [American] banks lend either directly or through brokers very large amounts of money to investors and speculators against industrial securities of all kinds. The loans of this kind made by the reporting member banks are sometimes at least equal to the loans made direct by them to industry. For this reason all banks take a great interest in the stock market and in the industrial securities quoted there."

Why Discriminate?

Certainly the problem of affording wider scope to facilities for marketing unlisted and local securities is of great importance in the field of securities marketing. A security pledged by a dealer who sells over-the-counter should have the same consideration as when sold on an exchange floor, particularly when it has recognized intrinsic worth and when there are dealers or brokers who make a market for it. If this situation could be accomplished, it would greatly assist the financing of local and medium sized concerns. It would, moreover, expand the field of public investments and would disperse the areas of security marketing throughout the land instead of confining it to a few large metropolitan markets.

As already stated above, the banker's trained judgment should be sufficient, without unwarranted government-imposed restrictions, to execute his responsibility in selecting and appraising collateral. The American banker should not be a mere "rubber stamp" or a "rule-of-thumb" executive. Yet, in no other country in the civilized world have so many laws been passed which place the judgment of bankers in a strait-jacket as in the United States.

Taking into consideration the banking experiences over the last half century in the different countries, one may well doubt whether these laws have not been more detrimental than effective. Certainly, bank solvency in the United States has not been more conspicuous than in France and Great Britain, where restrictive banking legislation is much more liberal, and less onerous, and where more opportunities are given bank executives to exercise the responsibilities for their personal judgments.

The so-called "legitimate" investor is likely to suffer the detrimental effect of the restrictions placed on collateral borrowing of dealers in local and inactive securities. Such securities are acceptable as collateral by local banks only when over-the-counter dealers furnish a continuous market for them. The availability of securities as bank collateral is as important in many cases to investors in inactive securities sold over-the-counter as to the holders of stocks and bonds listed on security exchange. So it would greatly assist the financing of small business concerns, if their securities were given liberal loan collateral facilities. But this can be accomplished only when there are dealers who are willing at all times to make bids for such securities, and the banks can place reliance on the bids. A security will maintain a price in the open market only when there are buyers on hand always ready to take up offerings at a quoted price. If this condition does not exist, then holders can obtain buyers only by drastic price concessions and may find themselves unable to liquidate at all.

Now, if dealers, whether specialists or not, because of "borrowing" restrictions, find it unprofitable or too risky to make a market for inactive securities or who cannot afford to tie up their cash resources in inventory, small business concerns as well as the holders of their securities will be further handicapped in the struggle to obtain funds in the capital market.

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

Re-elect Executives of Chicago S. E.

At the annual meeting, July 12, of the Chicago Stock Clearing Corporation, wholly owned subsidiary of the Chicago Stock Exchange, the following were reelected as members of the Board of Directors: Raymond H. Becker, Frank J. Buckholtz, Anthony L. Godie, Ernest O. Lauschke, Herbert Levy, Arthur G. Lilly, Kenneth L. Smith and Henry Wolbrink.

At the first meeting of the board, the following officers were re-elected: Kenneth L. Smith, President; Harold I. Kramer, Vice-President and General Manager; Martin E. Nelson, Secretary, Walter R. Hawes, Treasurer, and Evelynne Tortorell, Assistant Treasurer and Assistant Manager.

Michigan Brevities

Top piece of news in the banking industry was the entrance of the National Bank of Detroit—Detroit's only billion dollar institution—into the small loan or personal loan field.

The new department is under Richard Mange, Assistant Vice-President, and the bank christened the new service "Instaloans."

In addition, the bank has just announced that its earnings in the first six months of the current year amounted to $2,138,594, after reserves and preferred dividend accrual, equal to $1.71 a share on the 1,250,000 shares. Earnings in the first half of 1944 amounted to $2,116,804.

* * *

F. L. Jacobs Company, manufacturer of automotive parts, has notified the SEC of a plan which is to be submitted to holders to issue $5,000,000 in preferred stock and to increase common shares from 750,000 to 1,000,000.

The proposed preferred shares will be 5%, $50 par cumulative convertible. President Rex C. Jacobs said that proceeds would be used to pay off the company's $5,000,000 V loan.

* * *

A record attendance was reported for the annual summer golf outing of the Bond Club of Detroit last week, which was held at the Orchard Lake Country Club, more than 30 miles from Detroit.

* * *

The Commonwealth Bank declared a semi-annual dividend of $2.50 a share on its common stock, an increase of 50 cents which brings the annual rate to $5 from the $4 previously paid.

* * *

Confirmation of the oft-rumored Atlas Corporation purchase of Willys Overland stock came as something of an anti-climax in Detroit.

Gossip on Griswold Street has been that the deal would cover the purchase of 300,000 shares of Ward Canaday's stock at a reputed price of more than $7,000,000.

Although no details were revealed, later reports were that outright purchase covered only 100,000 shares and that there was an additional option involved.

Latest gossip is that Willys is signing up a top Detroit automobile sales-manager — with Don Bathrick of Pontiac most frequently mentioned. Meanwhile newspapermen and brokers from all over the country assembled at President Charles Sorenson's farm this week (July 17) to see the Agrijeep put through its paces.

* * *

Detroiters are watching for the next General Motors earnings statement with added interest because it is anticipated that it will include the profit on the recent sale of GM's remaining block of 509,550 shares of National Bank of Detroit stock for approximately $20,000,000.

* * *

Many Michigan companies received a rude awakening when they learned the effect of the recent revision of the Michigan Unemployment Compensation law.

Companies who let their reserve funds fall below 5% of their annual average payroll found that their assessment was increased from 1 to 3%—retroactive to Jan. 1.

In the case of one small firm which had a $400 "shortage," the added cost in a year is estimated at $5,400 while one of Michigan's largest corporation is expected to have to pay in $3,000,000 extra.

* * *

Michigan's Seventh War Loan "corporations" quota of $168,000,000 and the "individuals other than E" quota of $107,000,000 were oversubscribed, with total subscriptions of $408,423,000 and $125,832,000, or 243% and 118%, respectively, Walter S. McLucas, Chairman of the Banking Division, announced.

For Wayne County the quotas were "corporations" — $109,258,000, "individuals other than E"—$55,603,000 and the totals subscribed were $245,666,000 and $71,193,418, or 225% and 128%, respectively, he said.

"This outstanding achievement is a direct reflection of the enthusiasm and the unremitting work of the sales forces through-out the state, drawn from the ranks of business, industry, finance, and the professions. Corporations, churches, clubs, unions, credit unions, and units of government united to put the corporations quota over the top. And more individuals than ever before bought the issues other than E, which was one of the important objectives of the drive," McLucas stated.

Personnel Items

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O.—**Edwin C. Budde** is with **Merrill Lynch, Pierce, Fenner & Beane**, 330 Walnut Street.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF. — **Ellsworth H. Dickson** has been added to the staff of **Walston, Hoffman & Goodwin**, Bank of America Building.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Charles W. Dickerman, Jr.**, has become associated with **Kennedy-Peterson, Inc.**, 75 Pearl Street. Mr. Dickerman was previously with Robert C. Buell & Co.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—**Joseph A. Shea** is with **Merrill Lynch, Pierce, Fenner & Beane**, Fletcher Trust Building.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Julius Cooklin, John Dorman, Jr.** and **Robert W. Torney** are now affiliated with **E. F. Hutton & Co.**, 623 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **George L. Parr**, formerly with Nelson Douglass & Co., and Mernice Tate have joined the staff of **Lester & Co.**, 621 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Bernhard Oulie** has become connected with **Pacific Company of California**, 623 South Hope Street. He was previously with Wm. Cavalier & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**James A. Landregan** has become associated with **First California Company**, 300 Montgomery Street. Mr. Landregan was formerly with Walston, Hoffman & Goodwin, H. R. Baker & Co. and Franklin Wulff & Co., Inc.

With Ames, Emerich

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Harold W. S. Walters has joined the staff of Ames, Emerich & Co., Inc., 105 South La Salle Street. Mr. Walters has recently been serving in the Army Air Forces. In the past he was with Midland Securities Company, and Bejamin Lewis & Co.

Connecticut Brevities

The Connecticult Light & Power Company has estimated that during the next five years it will expend some $22,000,000 for additional electric generating units, generating unit replacements, additions to transmission and distribution system facilities, and equipment rehabilitation. It is expected that this outlay can be financed without raising additional capital. The execution of this program is dependent upon the procurement of necessary materials and the time required to erect the new power plant units.

Plans call for the construction of an additional 45,000 kw. high pressure steam unit at Devon and the replacement of two 10,000 kw. low pressure units at the Montville plant with a new 31,250 kw. high pressure steam unit.

A new 69,000-volt transmission line will be erected from the Southington substation to Bristol which will supply power for the Bristol load. Completion of this project will terminate the present contract with the Connecticut Power Company.

In addition, a new 115,000-volt line will be constructed from Devon to a junction point with the Southington-Montville line.

For the 12 months ended May 31, 1945, the company reported net earnings of $2.73 a share on the common stock against $2.53 for the preceding 12 months. Fixed charges for the same periods were covered 3.70 times and 3.13 times.

* * *

Jesse W. Randall, formerly Vice-President in charge of compensation, liability, and automobile business, has been elected President of the Travelers Insurance Company, and Francis W. Cole, formerly Vice-President and General Counsel, has been elected Chairman of the Board. These men replace the late L. Edmund Zacher who performed duties of both President and Chairman of the Board.

Gladden W. Baker, Vice-President and Treasurer, has been elected a director of the company.

* * *

Fuller Brush Company of Hartford has issued a mandatory call to preferred stockholders to turn in their shares by Oct. 1. The stock will be redeemed at $100 and dividends of $1.75.

* * *

The six months' indicated earnings to June 30 of four Hartford banks follow:

	1945	1944
First National Bank	*$8.98	*$4.12
Hartford-Connecticut Tr. Co.	4.12	3.36
Hartford Nat. Bk. & Tr. Co.	†*1.10	*1.10
Phoenix State Bank & Trust	13.10	14.57

†Operating earnings, $1.32.
*Excluding write-off of banking premises as follows:

	1945	1944
First National Bank	$2.18	$4.35
Hartford Nat. Bk. & Tr. Co.	.25	.19

* * *

Comparative book value of three Hartford banks follow:

	June30, 1945	Dec 31, 1944
Hartford-Connecticut Trust	$51.39	$48.77
Hartford Nat. Bank & Trust	23.64	23.05
Phoenix State Bk. & Tr. Co.	287.91	279.81

The income account of the Bridgeport Gas Light Company for the year ended Dec. 31, 1944, showed earnings per share of $1.46 on the common stock against $1.48 per share in 1943. Fixed charges were covered 4.62 times against 4.75 times for the preceding year.

* * *

The stockholders of the North & Judd Manufacturing Company have approved a profit-sharing pension plan for employees having 25 years service.

* * *

The consolidated income account of Veeder-Root, Inc., for the year ended Dec. 31, 1944, showed net sales of $13,833,547 against $15,370,222 for the preceding year, leaving net income of $712,005 and $858,359, respectively. Earnings per share on the capital stock including post war refund were $3.56 in 1944 and $4.29 in 1943. Excluding this refund, earnings were $2.75 and $2.93, respectively.

* * *

For the six months ended June 30, Underwood Corporation had a consolidated net profit of $963,513 which compared with $956,080 for the corresponding period in 1944. On a per share basis, earnings for these periods were $1.31 and $1.30, respectively.

Bausch & Lomb Issues Offered

Stone & Webster and Blodget, Inc. headed a group of underwriters that offered July 17 50,000 shares of Bausch & Lomb Optical Co. 4% Cumulative Preferred stock (par $100) at $104 per share and accrued dividends, and 152,500 shares of Common stock (par $10) at $23 per share, subject in part to exchange and subscription offers to present stockholders of the Company.

Holders of Bausch & Lomb's outstanding 47,318 shares of 5% Cumulative Convertible Preferred may exchange their holdings, on a share for share basis, with cash adjustments, for the new preferred. Present stockholders may also subscribe for an aggregate of 152,500 shares of common, at $20 per share, on the basis of one share of common for each share of old preferred, and one share of common for each four shares of common held. Both the exchange and subscription offers expire July 31, 1945.

Net proceeds from the sale of the common will be added to working capital. Proceeds from the sale of new preferred shares not taken under the exchange offer will be applied toward the redemption at $105, of any old preferred shares outstanding after July 31. Outstanding capitalization after this financing will consist of the new preferred, and 573,228 shares of common. The new preferred is redeemable at prices ranging from $107.50 before July 1, 1948 to $104 on and after July 1, 1954.

Ensign Geo. King Cited

DETROIT, MICH.—Cyrus King, resident partner of Merrill Lynch, Pierce, Fenner and Beane, Buhl Building, has been notified that his son, Ensign George King, has received a battle citation for duties in the Pacific theatre. King's eldest son, Captain William King, U. S. M. C., received a similar citation some months ago.

Here Are Some More Expressions Regarding Competitive Bidding

(Continued from page 306)

generally speaking, make for a good market in the underwritten security.

These are some of the reasons that occur to me that seem to warrant opposition to competitive bidding. No doubt there are many other arguments against it.

* * * *

A CHICAGO DEALER

Many years of experience in the business has taught us that desirable investment banking contacts are as much to be sought after as contacts with your own plumber, doctor, grocer, etc. We do not consider it economically sound to have competitive bidding because in many cases it brings into the picture bankers who have had no experience or contact with the respective railroad, utility or inndustrial companies mentioned and as we view it many times of late it has caused investment banking houses who have never had contact with the company before to over bid their competitors, thus forcing them to sell the securities for more money than what they are actually worth.

* * * *

A BOSTON DEALER

Speaking from the point of view of the dealer who is interested in new issues as a member of a retail selling group, competitive bidding has worked out very much to our disadvantage.

The ramifications are so great from all directions that we hesitate to go into detail, but in a few words, we are pressed and crowded as to the time element; profits are so small, and the cream of the market is in most cases limited by direct participation of large buyers, and of course where the large buyers bid for the entire issue we are entirely eliminated.

But even where bonds are left over of the less desirable issues and there is an opportunity of participation the profit is so small and the number of bonds to the extent of our participation is so small that competitive bidding has almost totally eliminated our interest in new issues.

Competitive bidding for industrial issues would not work any less to our advantage in public utilities and railroads.

There will unquestionably come a time when both issuers and banking syndicates will not be able to do without the services of a small retail distributor ordinarily included in the selling group who goes out and combs the bushes for orders. Those who wish to stay solvent will not do this work at a loss. The labor should be worthy of its hire.

* * * *

H. P. CARVER

H. P. Carver Corporation, Boston, Mass.

I myself, am opposed to competitive bidding knowing that there is a very intricate balance between supply and demand in the market. Brokers as a whole, operating as they do as middlemen, have been put in a position to try to gain a fair price both for the client, who is the ultimate purchaser of securities and the seller, who is generally a large corporation.

Competitive bidding puts the seller in a position today of having wares for sale which are scarce, but in no form of measurement. Therefore, he is able to obtain a far higher price than is probably fair to the ultimate purchaser.

In other words, the buyer today is not being protected by the regulations of competitive bidding. He is being forced to pay probably more than the market will bear.

Questions of price are always difficult when the transaction takes place almost immediately, as it does in buying and selling securities through a broker. It seems to me that the former method of bearing in mind both positions, that is that of the seller and the buyer was more satisfactory than competitive bidding.

* * * *

A KANSAS CITY, MO., DEALER

When lenders **compete** with other lenders, many **lemons** are sold as oranges.

Missouri Brevities

St. Louis National Stockyards Rate Rehearing

John J. Curry, Examiner for the U. S. Department of Agriculture, has been holding hearing in St. Louis regarding the reasonableness of rates charged by the St. Louis National Stockyards. This is an outgrowth of an order issued Dec. 7, 1943, whereby rates were drastically reduced. This order was not made final and, pending further hearings, the difference between the old rates and the new rates has been impounded and now amounts to about $900,000. The capital stock of the company has recently recovered sharply from the low of 27½, established shortly after the Department of Agriculture order was issued, and is now selling around 39.

Hyde Park Breweries Stock Split

A special meeting of the stockholders of Hyde Park Breweries Association, Inc., will be held on Aug. 31, 1945, to act on a proposal to amend the Company's Articles of Association so as to increase its authorized capital shares from 200,000 shares of $10 par value to 500,000 shares of $4 par value and to provide for the issuance of 2½ shares of new for each share of old. Stock reached an all-time high of 65 on the St. Louis Stock Exchange following the announcement.

Annual report for the year ended March 31, 1945, showed a net profit of $481,805, or $4.82 per share, compared with $522,866 and $5.23 per share in the preceding year. Balance sheet as of March 31, 1945, shows current assets of $1,762,995, including $983,961 cash and governments, compared with current liabilities of $403,572. Company has no funded debt, preferred stock or bank loans outstanding.

Security Traders Club

The Security Traders Club of St. Louis is holding its annual summer party today (July 19) at Seibert's Grove. Entertainment includes several red-hot horseshoe, corkball, and softball games in addition to the activities which are conducted on top of the tables.

St. Louis Bank Appointments

United Bank & Trust Company has elected **John W. Minton, President, and Carroll F. Burton, Vice-President.** They were formerly officers of the National Stockyards National Bank, Minton having been with that institution 30 years and Burton 20 years.

Mercantile - Commerce Bank & Trust has appointed **Stanley Fletcher and Edward E. Marshall, Assistant Vice-Presidents; Victor F. Moeller, Assistant Trust Officer; George C. Eschbacher, Assistant Secretary; John J. Lackey, Assistant Manager of the Insurance Department.**

First National Bank in St. Louis has appointed **Mack A. Aldrich** and **Meredith C. Jones, Vice-Presidents.** Aldrich has been with the bank many years. Jones has been engaged in the investment banking business with Bitting, Jones & Co., Inc.

International Shoe Net Declines

International Shoe Company net income for the six months ended May 31 amounted to $2,966,749, or 88 cents per share compared with $3,106,250, or 92 cents per share in the like period of 1944. Net sales were $79,390,395 compared with $76,814,804. Profit decline resulted from narrowed margins under OPA ceiling prices and rising costs.

Hesse With Newhard Cook

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Joseph C. Hesse has become associated with Newhard, Cook & Company, 400 Olive Street, members of the New York and St. Louis Stock Exchanges, and other exchanges. Mr. Hesse in the past was with Francis, Bro. & Co. for many years.

Herbert F. Schroeder Opening Own Inv. Firm

Herbert F. Schroeder is forming H. F. Schroeder & Co. with offices at 115 Broadway, New York City, to act as dealers and brokers in railroad, public utility and industrial bonds and stocks. Mr. Schroeder was formerly assistant manager of the Bond Department of Clark, Dodge & Co., New York, and more recently was corporate bond trader for Blair & Co.

Merrill Lynch Firm Sponsors Newscast

Beginning July 13th, the investment firm of Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, is sponsoring a 15-minute news commentary over Station WOR, New York.

The program features Paul Schubert from 6 to 6:15 p.m., Monday through Friday, and is scheduled to continue for an indefinite period.

The program will include an interesting 3-minute discussion of daily stock market trends and closing market prices of a list of selected securities.

The account is handled through Albert Frank-Guenther Law, Inc.

H. J. Bird & Co. in Vancouver, Canada

VANCOUVER, B. C., CANADA—H. J. Bird & Company is engaging in the investment business from offices in the Standard Bank Building. The firm deals in Canadian Government and corporation bonds and industrial stocks.

Henry James Bird is the sole partner. Mr. Bird since 1941 has been on active service with the Royal Canadian Air Force. He was formerly a partner in Bird & Taling Limited.

Associated with the firm is Thomas D. McMurray, formerly of Jackson Bros., Grain Company in Winnipeg.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market is once again dominated by the need for income which has resulted in the banks and other institutions being large buyers of the longer term high coupon obligations. . . . Much of the activity and price betterment has taken place in the securities maturing from 1956 on. . . . The market leaders have been the restricted 2¼s due 1956/59, and the bank eligible 2½s due 1956/58, both of which made new tops by a sizeable margin. . . .

Substantial improvement has taken place in all of the restricted issues, with the 2½s due 62/67, the 2½s due 63/68, and the 2½s of June and December 64/69 moving into new high territory. . . . The 2½s due 65/70 and the 2½s due 66/71 were in demand not far from their best levels of the year. . . .

The new issues, the 2¼s due 1959/62 and the 2½s due 6/15/67/72 were at their tops, since trading started in them on July 2nd. . . .

MARKET OPINION

The 1½s due 1950 seem to be well taken at present levels. . . . Some demand has been appearing for the 2s, although these bonds have moved away from their highs due to selling by institutional investors, who have been reinvesting the proceeds in the restricted issues. . . .

Some market followers put forth the opinion that the 2s due 9/15/50/52 and the 2s due 9/15/51/53 are cheap at these prices and are recommending their purchases instead of the 1½s due 1950. . . .

They point out that the selling of these 2s by the institutional holders, gives the banks an opportunity to acquire these bonds, without bidding up prices. . . . The longer maturities of the 2s are also considered attractive at present levels. . . .

LONG 2½s HIGHLY RATED

The 2½s due 9/15/67/72, have been well bought and despite selling by institutional holders have moved ahead from the lows of last week. . . . This obligation is considered the most attractive issue for commercial banks with savings deposits. . . . It is the only bond eligible for commercial banks which presently yields more than 2%. . . .

Accordingly, for appreciation and income the 2½s due 9/15/67/72 are recommended for purchase at these prices. . . .

SUGGESTED SWITCH

The sale of the 2½s due 1952/54, and the 2½s due 1956/58, at present levels with the proceeds reinvested in the longest bank eligible 2½s is being advised in certain quarters. . . . It was pointed out that the appreciation possibilities in the 2½s due 1952/54 and the 2½s due 1956/58, from present levels, will probably not be much more than ⅞s and ¾s respectively. . . . One the other hand it is indicated that the 2½s due 9/15/67/72, under similar conditions, could move up in excess of 1⅝ points. . . .

For non-bank investors the 2¼s due 1956/59 still look attractive despite their recent price advance. . . .

EXEMPTS VS. TAXABLES

The partially exempt obligations have been steady, with only minor price changes, although the longest maturities of this group appear to be underpriced when compared with the taxable issues. . . . The following study shows the position of the partially exempts, as compared with the taxable bonds:

Security	Recent Price Bid—Offer	Yield to Call Date	Tax Free Yield
*2⅞% due 3/15/55/60	113.29—113.31	1.33%	1.12%
2½% due 3/15/56/58	107.16—107.18	1.72%	1.03%
*2¾% due 9/15/56/59	113.19—113.21	1.42%	1.19%
(r)2¼% due 9/15/56/59	104.13—104.15	1.80%	1.08%
*2¾% due 6/15/58/63	113.31—114.1	1.55%	1.30%
(r)2¼% due 6/15/29/62	101.15—101.17	2.12%	1.27%
*2¾% due 12/15/60/65	115.11—115.13	1.62%	1.36%
2½% due 9/15/67/72	105.10—105.12	2.19%	1.31%

*Partially exempts.
(r)—Restricted issue.

The partially exempt bond in each instance gives a larger tax free yield than does the taxable security. . . . Past records of yields for the partially exempts and comparable maturities of the taxable issues shows that these yield discrepancies do not last long. . . . The tendency has been for the tax free yields of these two groups to equalize. . . . This trend will no doubt continue in the future. . . .

EPT

The elimination of excess profits taxes will not change the tax relationship between these securities. . . . The 40% tax consisting of 24% normal and 16% surtax is expected to be with us for a considerable period. . . . When the time comes for further adjustments in taxes below the 40% level, changes will probably be made in the surtax as well as the normal rate. . . .

BUYERS AND SELLERS

The commercial banks have been the principal buyers of the partially exempt obligations. . . . From the end of last year through April 30th, 1945, these institutions bought $111,000,000 of the 2⅞% due 1955/60, $33,000,000 of the 2¾% due 1956/59, $38,000,000 of the 2¾% due 1958/63 and $93,000,000 of the 2¾% due 1960/65. . . . The sellers were other investors, including dealers, Government agencies and "Federal" along with the insurance companies and savings banks. . . .

Present prices of the partially exempts are not substantially in excess of those prevailing during April, when the Treasury reported that the commercial banks during that month were fairly sizeable purchasers of these bonds, particularly the 2⅞% due 1955/60. . . . In view of the opinions that the longest maturities of the bank eligible taxables will move ahead from these prices, it seems as though the longest maturities of the partially exempts will also seek higher levels in order to prevent further discrepancies in yields between these two groups. . . .

Therefore, the last four maturities of the partially exempts should still have attraction at these levels for the institutions that have been interested in them in the past. . . . The 2¾% due 1960/65 is the best liked issue, since it is indicated that appreciation possibilities from present levels could be in excess of two points. . . .

Calls for Clarification Of Terms to Japan

(Continued from page 299)

I had as my main objective the information of our people.

I did not then, and I do not now, subscribe to the doctrine that our people should be kept in the dark until advised of accomplished facts. They are fully aware of what must be accomplished by this war. They have demonstrated their ability to think things through for themselves.

Neither do I believe in the overworked philosophy that information and discussion on the part of our people will induce the Japanese to believe that we are "soft," thereby aiding them in maintaining morale.

On the other hand, I feel that clear understanding and frank discussion will do just the opposite. It will demonstrate to the Nipponese that we have turned "thumbs down" on any offer which does not pay the price. To my mind, there is much more danger in secret and devious diplomacy and militaristic "hush-hush."

Let me remind the Senate that I at no time stated that such proposals had been communicated by an official source to an official department of our Government, or that they came from an unofficial origin to a like destination. I simply requested that we be given the full facts.

At first our State Department denied that any such proposals had been transmitted to our Government, which was undoubtedly true. We all know that such "peace feelers," as they are termed, are seldom so communicated.

However, that denial caused me, as well as others who had similar information and felt as I did, to be misunderstood in some quarters, and in some to be even severely criticized, although public opinion was almost unanimous in demanding that full information be provided.

Now, I am pleased to note, our capable Acting Secretary of State, Mr. Grew, has cleared up the situation. He has now frankly and courageously disclosed that our Government has knowledge of unofficial "peace feelers," but that none of them have constituted definite peace offers. I accept Mr. Grew's statement. I commend him for taking the people into his confidence. I trust that he will continue to do so. I cannot but recall that denials similar to those mentioned were made just a few weeks before the Italian surrender in 1943.

It may be that the "feelers" made were no more than propaganda. If so, they have been squelched—squelched because of public disclosure and discussion. Japan now knows that whatever it wishes to offer it must disclose to our people and to the world. The cards must be played on top of the table.

Our good Secretary insists, however, that we must and shall insist upon "unconditional surrender." Those words, of seeming magic to some, seem to be our sole guidepost in the conduct of the war and the peace to be erected upon victory.

Mr. President, permit me to state wtih all the strength at my command that I favor no "soft" peace with Japan. Neither do I favor any compromise with that nation, if by that is meant the sacrifice of one thing necessary for the future welfare of America and the peace of the world. However, I have not advocated and do not now advocate extended 'horse trading," and dickering with the Japanese in order to arrive at peace. Furthermore, I advocate no acceptance of mere promises on the part of that renegade nation "to be good." Our armed forces are on the spot to enforce all terms. On the other hand, what I do advocate will eliminate the propaganda, the "feelers," the dickering, the "horse trading," and the secret diplomacy.

Moreover, the policy which I advocate may shorten the war, save many lives, and create a more stable situation for the establishment of permanent peace.

For those reasons, I cannot accept the philosophy of our good Secretary, and others in high places, plus that of some writers and commentators, to the effect that nothing will accomplish the desired results save and except "unconditional surrender."

Let us take a look at those words. What do they mean? As the distinguished Senator from Maine [Mr. White] has heretofore stated in this Chamber, they mean "acceptance by the vanquished of the will of the victor." What that will is—the terms to be met—is communicated to the vanquished after, rather than before surrender.

That is the practical difference. The terms could just as well be stated before if our Allied leaders are willing to state the ends we seek to attain. The terms may, in fact, be just the same. However, many lives may be required to maintain that slight distinction.

With an abiding conviction that I am right, I submit, Mr. President, that our nation, in cooperation with its Allies, should proceed to formulate, and when formulated, announce to the world, the exact minimum terms required of Japan. Let them be spelled out with clarity and decisiveness. Let the Nipponese understand that this price they must pay or die.

Such a step will, in my judgment, stop the propaganda, the rumors, and the feelers. If those terms prescribe a just punishment and a fair hope for the future—and I cannot conceive that America will demand otherwise, no matter when victory is attained, or the cost thereof—there will be afforded an opportunity for upheaval in Japan, the ascendance of sanity, and the decline of suicidal unity.

By following that course, we have nothing to lose. Definite rigid terms are certainly no more terrifying than the uncertainty of victors' demands. There can be no morale created by false tales of drastic punishment to come—punishment beyond the comprehension or conscience of any American. Moreover, those who hereafter must die will know exactly what is to be accomplished by their sacrifice. They will not have died for the fulfillment of some vague plans of the future which we had not the courage to formulate while they lived.

Mr. President, I do not assume the task of spelling out what shall be the complete terms of surrender. Our people demand that we end Japan's power as a military nation, and punish it for its crimes against us and the world. We have not the conscience to exterminate the nation and its people.

If Japan gives up its fleet and air force, disarms its armies, destroys or has destroyed its war-productive agencies, gives up its conquered lands and loot and returns to its home islands, makes reparations for damage done, and is deprived of its economic capacity to wage war, what more can we ask other than the punishment of war criminals? As for the latter, most of them will follow the suicide route, regardless of the path followed to surrender.

Does "unconditional surrender" mean that the Japanese Emperor is to go, that the dynasty is to be destroyed, and that a new type of government is to be created? I do not know. Neither does Japan. Our President has pledged that the Japanese people will not be enslaved or destroyed. They will not be. We have known that from the very beginning. But why not use the positive rather than the negative method of approaching the problem?

Most certainly our nation has no designs upon Japan which it fears to divulge. I am loathe to believe that any of our Allies are so motivated.

Common sense tells us that Japan will be extremely reluctant to accept the exercise of "supreme authority" such as was declared in the case of Germany. If retention of its present form of government is the "face saving" necessary to enable Japan to accept our terms, then I for one advocate permitting Japan to save that much "face." It would take a lot of such "face" to compensate for the life of one American boy.

Let me pose a question. If it is to be our policy that Japan's system of government is to be destroyed as a part of "unconditional surrender," what is to take the place of such government? Most certainly it cannot be argued that the Japanese are prepared for any democratic form of government. Are we to spend years in occupation and in teaching a different form of government? I cannot accept that proposition.

Neither do I accept the philosophy that the Japanese will never consider themselves beaten as long as they have their Emperor, with his white horse and his various palaces.

The Japanese know they are beaten.

We have destroyed their Navy.

We have practically eliminated their air power.

We have bombed and substantially destroyed their major cities.

Their minor cities are now being wiped out, one by one.

Millions of Japanese are now homeless.

Their casualties are enormous.

As a matter of fact, Japan has been most effectively invaded already. Most of its people know what war is at first hand. The destruction is being increased daily. The Japanese will soon know that America is just getting into high gear.

Having personally seen what bombing did to German cities, I feel that I can safely say that a large majority of the Nipponese are fully aware of ultimate defeat.

Mr. President, it is my deep conviction that insistence upon unconditional surrender may prolong the war, may prevent an overthrow of the war lords of Japan, may promote Japanese suicidal unity, and must lead to ultimate famine in that land. Why should we assume those risks?

If famine results, shall we then assume the task of feeding and rehabilitating a poverty-stricken people? It seems to me that we now have enough to do along that line.

By reason of the stand I have taken in this matter, I have been accused by some of failing our men now fighting in the Pacific. It is my deep conviction that to have done otherwise would have been to fail them.

Above all, I do not wish to fail those who may be required to forfeit their lives through insistence upon postponement of decisions and those whose fate it may be to mourn their loss, when such insistence will add nothing to the future of America or humanity, and may, in fact, jeopardize rather than aid the future peace of the world.

I sincerely trust, Mr. President, that shortly following the conference now about to begin in Berlin, there will come from our Allied leaders an ultimatum to Japan stating the exact price she must pay by reason of her transgressions.

I have faith in our leaders to believe that some such action will be taken.

We shall then go forward, with a conviction that we have kept faith with those who die in our cause, united and unafraid, to final victory.

Goldman, Sachs Offers Hecht Co. Preferred

Goldman, Sachs & Co. on July 17 offered publicly 56,000 shares of The Hecht Co. 3¾% Cumulative Preferred stock ($100 par), at $103 per share. Net proceeds to be received by The Hecht Co. will be used to reimburse the company for the redemption of all the outstanding 53,200 shares of 4¼% Cumulative Preferred Stock at $105 per share.

The sinking fund on the Preferred Stock will retire 2% of the issue for each year, commencing in 1947. The new preferred is to be callable, in whole or in part, at prices ranging from $108 down to the offering price. Shares are to be callable for the sinking fund at prices ranging from $104.50 to the offering price.

Sales have increase annually from $25,463,000 in the fiscal year ended January 31, 1940 to $44,857,000 in the year ended January 31, 1945. Net profit in the last fiscal year amounted to $1,689,000 after Federal and state income and excess profits taxes totaling $3,792,000.

The Hecht Company, whose business was founded in 1874, operates eight retail stores, including branches, in Washington, Baltimore, New York, and Easton, Md.

Howard C. Maurer Resumes Business Inv.

LEWISTON, N. Y.—Howard C. Maurer is resuming his investment business from offices on Second Street. Recently he has been serving in the armed forces. Prior thereto he was in business in Niagara Falls and was Buffalo manager for Amott, Baker & Co.

Goodbody & Co. Will Admit Brett as Partner

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges, will admit Arthur C. Brett to partnership on Aug. 2nd.

John Dinkins Opening Office Again in L. A.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John Dinkins has opened offices at 453 South Spring Street, to engage in an investment business. Mr. Dinkins has recently been serving in the U. S. Army. Prior thereto he was President of M. H. Lewis & Co.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

Holdings of Government Bonds in the portfolios of insurance companies have approximately doubled in dollar volume since the United States entered the war in December, 1941.

Two tabulations are presented which show the changes that have occurred between Dec. 31, 1941 and Dec. 31, 1944. Table I gives the figures for 30 representative fire insurance companies, and Table II, for 12 representative casualty companies.

TABLE I

	Dec. 31, 1941 Total U.S.G. Bonds	Dec. 31, 1941 % of Total Assets	Dec. 31, 1944 Total U.S.G. Bonds	Dec. 31, 1944 % of Total Assets
Aetna Insurance	$13,789,000	23.0%	$21,399,000	29.8%
Agricultural	2,396,000	15.0	3,570,000	18.6
American Equitable	3,816,000	40.5	6,512,000	35.9
Boston Insurance	4,697,000	18.3	8,002,000	26.8
Continental Insurance	8,380,000	8.5	18,526,000	13.9
Camden	701,000	5.1	2,983,000	17.8
Fidelity-Phenix	4,177,000	5.4	11,037,000	10.3
Fire Association	4,931,000	19.4	7,812,000	26.7
Fireman's Fund (S. F.)	8,206,000	17.1	26,394,000	31.8
Franklin Fire	3,038,000	14.4	8,914,000	37.0
Glens Falls	4,581,000	21.2	10,796,000	34.9
Globe & Rep.	1,906,000	34.4	2,356,000	33.9
Great American	1,059,000	2.1	6,209,000	9.5
Hanover	4,025,000	22.7	7,161,000	29.1
Hartford Fire	24,527,000	18.9	40,608,000	25.5
Home Insurance	7,664,000	6.2	34,850,000	23.6
Ins. Co. of N. A.	9,579,000	8.1	19,420,000	12.3
National Fire	16,959,000	31.9	21,721,000	35.9
National Liberty	3,590,000	18.5	8,132,000	34.1
New Brunswick	1,186,000	23.5	1,916,000	33.5
New Hampshire	5,086,000	28.4	6,594,000	31.0
New York Fire	1,496,000	25.9	2,462,000	31.5
North River	7,527,000	30.9	11,966,000	39.5
Phoenix	11,411,000	17.4	14,703,000	19.7
Prov. Washington	2,792,000	16.7	6,191,000	30.0
St. Paul F. & M.	1,111,000	2.2	7,358,000	12.0
Security Insurance	1,503,000	11.3	5,470,000	30.6
Springfield F. & M.	6,852,000	18.7	12,130,000	27.4
U. S. Fire	10,551,000	28.5	17,318,000	36.5
Westchester	4,340,000	21.5	7,874,000	30.1
Total and average	$181,876,000	18.5%	$360,384,000	27.0%

Thirty fire companies, in 1941, held $181,876,000 in Governments; in 1944, their holdings were $360,-384,000. The expansion is $178,-508,000, equivalent to 98.1%. In 1941, their Governments represented, on average, a ratio of 18.5% of total assets; in 1944, 27.0%. The percentagewise increase in the average ratio has been 46%.

It is of interest that in two instances the percentage which Governments bear to total assets was lower in 1944 than in 1941. American Equitable's percentage was 40.5% in 1941 and 35.9% in 1944, despite a 70% expansion in dollar volume. The second instance is Globe & Republic, with 34.4% in 1941 and 33.9% in 1944, and an expansion in dollar volume of approximately 25%.

Companies whose percentage proportion of Governments has increased considerably more than the average of 46% include: Continental, 63.5%; Providence Washington, 80%; Fidelity-Phenix, 91%; Franklin, 157%; Security, 171%; Camden, 249%; Home, 280%; Great American, 352%; and St. Paul Fire & Marine, 445%. However, many of these, despite a disproportionate percentagewise rise, are still relatively low in Governments. This is particularly true for Continental, with only 13.9%; Fidelity-Phenix, 10.3%; Great American, 9.5% and St. Paul, 12.0%.

Highest percentage is the 39.5% of North River; this is followed by Franklin with 37.0; U. S. Fire, 36.5%; American Equitable and National Fire, 35.9% and Glens Falls, 34.9%.

With regard to casualty and surety companies, as presented in Table II, they have always been heavier in Governments than have the fire companies. In 1941 the average percentage of the twelve companies considered was 30.3%, compared with 18.5% of the fire companies. In 1944 the average percentages were 48.3% and 27.0% respectively. Their dollar volume rose from $135,018,-000 to $291,137,000, an increase of 116% compared with the 98% of the fire companies. The percentagewise increase of the average ratio of Governments to total assets was 60% compared with 46% for the fire companies.

Companies which show a percentagewise increase in excess of the 60% average are: Standard Accident, 168%; Maryland Casualty, 93%; American Surety, 84%; American Casualty, 83%; Seaboard Surety, 79%; U. S. Fidelity & Guaranty, 73% and Massachusetts Bonding, 64%. In general, increases in this group have been relatively consistent, compared with the fire group. In the latter, increases appear to have been somewhat more erratic, and in some instances, Home and Franklin, for example, a change in investment emphasis predominately from equity seems to have taken place.

It will be observed that six of the twelve casualty companies hold Governments in excess of 50% of total assets, while the highest percentage in the fire group is 39.5%.

It is perhaps elementary to point out that bonds in insurance companies' portfolios have a retarding effect on the growth of the liquidating values of their stocks, during a bull market; by the same token, they exercise a steadying influence on liquidating value, **during a declining market.** Consequently, careful consideration should be given to the percentages which Governments bear to total and invested assets. Furthermore, since most Governments to-day sell at a relatively low yield, compared to equities, the investment income is affected appreciably by the proportion of Governments held. Another point that should not be overlooked is that most Governments are no longer tax free, whereas 85% of the income from stock dividends is exempt from the Federal income tax.

Insurance stocks are excellent long term investments, but the watchword to the investor is "select intelligently and diversify."

TABLE II

	Dec. 31, 1941 Total U.S.G. Bonds	Dec. 31, 1941 % of Total Assets	Dec. 31, 1944 Total U.S.G. Bonds	Dec. 31, 1944 % of Total Assets
Aetna Casualty & Surety	$35,273,000	44.7%	$59,920,000	55.1%
American Casualty	838,000	15.2	2,911,000	27.8
American Surety	5,958,000	20.5	13,629,000	37.7
Continental Casualty	13,435,000	29.8	24,784,000	41.1
Fidelity & Deposit	13,682,000	48.5	20,053,000	58.1
Maryland Casualty	12,218,000	28.2	40,215,000	54.4
Mass. Bonding	6,003,000	25.3	13,307,000	41.4
New Amsterdam Casualty	9,089,000	29.6	18,758,000	45.4
Seaboard Surety	1,763,000	28.1	4,302,000	50.4
Standard Accident	6,680,000	22.5	25,375,000	60.3
U. S. Fidelity & Gty	22,227,000	32.3	55,586,000	55.9
U. S. Guarantee	7,852,000	38.5	12,297,000	51.5
Total and average	$135,018,000	30.3%	$291,137,000	48.3%

Railroad Securities

(Continued from page 303)

market purchases of this low-priced debt, preferred to take care of its nearby maturities. It first retired its 1946 maturity and then subsequently its 1952 maturities. The net result is that New York Central has not been able to retire debt at lower interest charges as rapidly as other carriers such as B. & O., M-K-T, Illinois Central, merely to name a few. Notwithstanding this fact, however, New York Central's junior bonds have appreciated considerably in the past year or more, reflecting the reestablishment of Class I railroad credit. There is now a general feeling in financial circles that over the next year or more New York Central is likely to be able to refund a minimum of $200 million and possibly as much as $350 million of its debt with a net savings in interest charges of between $5 and $10 million. This would amount to roughly between $1 and $1.50 per share on the common stock without making any allowance for tax adjustments.

In considering the future market action of New York Central one should not overlook the popularity of this equity with Dutch and English investors. In the 1935-37 railroad market the backbone of railroad equity purchases were Dutch and English investors. There is no reason to doubt a repetition of this buying interest once $3-4 billion, now frozen, is unblocked. New York Central, being one of Europe's favorites, will undoubtedly be singled out among prospective purchasers.

Concluding, therefore, while New York Central suffers from fundametnal weaknesses previously outlined, the amount of debt reduction already accomplished, together with a sizable decrease in fixed charges, with further interest savings probable through refundings over the next year or two, with active business promised through figuring on the accumulated deferred demands created by the war and with substantial purchases assured on the part of Dutch and English investors when their money is unblocked, seems to indicate that New York Central will fare better in the future marketwise than in the immediate past. We believe the common, at levels of 28-29, is attractive on a long term basis.

Skelly Oil Debentures Marketed at 101¾

Eastman, Dillon & Co. and associates on July 18 offered to the public $10,000,000 20-year 2¾% debentures of Skelly Oil Co. The debentures were priced at 101¾ and accrued interest.

Proceeds from this financing, with other funds of the company, will be applied to the redemption on or before Aug. 30 of $10,000,-000 of 3% debentures, due on Feb. 1, 1950. The prospectus states that the company plans to borrow $8,000,000 from banks on a ten-year installment note, the proceeds to be added to its other funds for general corporate purposes.

The new debentures are subject to redemption at 104 before July 1, 1946, and at prices declining to par on or after July 1, 1946. They also are redeemable through the operation of the sinking fund.

F. I. Robertson to Head Otis Buying

CLEVELAND, OHIO — F. I. Robertson has become associated with Otis & Co., Terminal Tower, in charge of the buying department. Mr. Robertson, who has recently acted as consultant on financial and management problems for various companies in Northern Ohio, was Vice-President of the Cleveland Trust Co. from 1932 to 1941. Prior thereto he was a Vice-President of the Midland Bank of Cleveland and was connected with the Continental Illinois National Bank & Trust Co. of Chicago.

Bretton Woods Dangers to Britain

(Continued from page 298)

fill its function, its value must be kept reasonably stable in terms of commodities. In other words, the purchasing power of the unit of currency must be kept as steady as possible; for it is practically impossible to conduct trade if the measuring rod is continually varying. No grocer would expect to earn his living if someone came into his shop every night and loaded his weights. Yet that is precisely what happened when we decided to go back to a gold standard after the last war.

If more credit (or money) is made available than is required by the productive capacity of a nation, or of the world, then the general level of prices rises sharply. This is called inflation. If, on the other hand, the supply of money is inadequate to sustain the continuing expansion of production made possible by the development of modern science and engineering technique, then prices will fall. This is called deflation. The effect of deflation is to increase the real burden of all debts, to transfer wealth from active to inactive hands, and, by decreasing the expectation of profit, to check the whole productive process—with unemployment as a result. We suffered from acute deflation continuously for ten years, from 1921 to 1931. And the reason we did so was because we returned to the gold standard, at the prewar parity of exchange.

What, exactly, did this mean? Three things. First of all that we gave to money a separate and independent value of its own—the value of gold. We no longer sought to make it a measuring-rod, and therefore to keep its value stable in terms of commodities. We made it instead the pivot around which the entire world economy revolved. From the moment the world went back to gold, the general level of world commodity prices depended not on credit policy, but on the value of gold. As this increased, so the world commodity price level fell, with disastrous consequences to every farmer and to every producer of raw materials.

Secondly, it meant that the external value of the pound was fixed beyond our control, at a level which bore no relationship to our internal wage and social policies. The balance between our internal and external price levels therefore became completely upset, and we found we could no longer compete in the markets of the world, because our costs were too high.

There were only two ways in which equilibrium between our internal and external price levels could have been restored—devaluation of the pound, or a reduction in the general level of wages. Having gone back to the gold standard, we could not do the former. And the attempt to do the latter resulted, inevitably, in the general strike and the great coal-mining strike of 1926. So our export trade was crippled.

Thirdly, it meant that we tied ourselves rigidly to Wall Street. So that, when Wall Street crashed in 1929, we crashed too. As soon as we were driven off the gold standard in 1931 (because we had no gold left) commodity prices began to rise, the balance between our internal and external price levels was restored, and recovery set in.

The Obvious Conclusion

The conclusion to be drawn from all this is obvious, and quite simple. In order to keep the general level of prices reasonably steady, the amount of goods and services available must be balanced by the amount of money in circulation. If we fail to provide the money tokens necessary to purchase the abundance of the modern world, it would be better to smash the machines, prohibit research work of all kinds, and revert to the simple life of peasant cultivation and individual craftsmanship. Which is impossible. The only thing that can prevent us from providing the necessary money tokens, and therefore from pursuing an expansionist economic policy, is the imposition of gold as a monetary basis. For gold puts artificial and purely mechanical obstacles in the way of an expansion of credit at the very moment when, owing to a shortage of monetary (gold) reserves, it is most required.

Now let us have a look at this Bretton Woods Agreement. The first thing to notice is that it relates solely to money. Goods, which might be thought to be of greater importance, are nowhere mentioned. That it puts us back on a gold standard admits of no doubt. All currencies are to be related to the dollar, which is to be given a gold value. Therefore all currencies are to be expressed in terms of gold. On this ground alone, it should be rejected. Any country may devalue its currency up to a limit of 10% without special permission from the fund. But, under modern conditions, unilateral devaluation of so limited an extent is, to say the least, a doubtful expedient. It would certainly be quite useless as a means of preventing a depression in one of the major industrial countries, e.g., the United States, from spreading to others. For this purpose the power to negotiate bilateral and/or regional trade agreements in terms both of goods and of money is absolutely essential. And this, in turn, involves a discriminatory control over imports, and over the export of capital.

Under the Bretton Woods Agreement, "discriminatory currency arrangements" are expressly prohibited. This would prevent us from making reciprocal agreements in terms of money as well as goods, and from limiting the free convertibility of sterling to the Sterling Area. It would therefore put an end to the Sterling Area as we now know it, despite the fact that our greatest hope for the future lies in the reconstruction of that area.

Creditor Nation of the World

Indeed, the whole bias of what is so strangely called the "Final Act" is against discrimination in any shape or form, and in favor of a return to multilateral free trade and an international currency freely convertible in terms of gold. The implications of an attempt to return to the economic system of the 19th Century—for it amounts to nothing less than that—can scarcely be exaggerated. That system only worked because we were the great creditor nation of the world, because we took goods freely and in unlimited quantities from everywhere, because we re-lent the whole of our export surpluses to debtor countries, and—last but not least—because there were fortuitous but continuous discoveries of gold.

It was based on the assumption that, as trade is conducted by individuals, the size of national economic units is of no consequence. In the modern era of mass production and protected markets, that assumption no longer holds good. To treat existing sovereign political States on an equal footing from an economic point of view is a most reactionary step. If the smaller nations don't get together, they will go under.

Today the United States are the great creditor nation of the world. They possess practically all the gold. Are they required under the Final Act either to accept import from debtor countries, or to re-lend their export surpluses? Not at all. The onus of restoring equilibrium in the balance of payments is thrown entirely on the debtor nations, of whom we are the chief. Supposing—and it is not an unreasonable assumption—there is a depression in the United States which upsets our balance of payments through no fault of our own, two alternatives will confront us under Bretton Woods. We can deflate; or we can sell the fixed assets of this country (for gold) to private American interests. I would remind the reader that deflation involves dear money, unemployment, and the end of all our hopes of social security. It is therefore an unhappy choice.

After this war we shall have only two assets. Our productive capacity, based on coal, the fertility of our soil, and the skill of our workers; and our markets, based on the purchasing power of our people. At the same time we shall have an external debt amounting to approximately 4,000 million pounds, and we shall have lost the greater part of our overseas investments, many of which have been gratuitously sold, at knockout prices, to the United States.

We cannot hope to get through unless we trade our assets against our liabilities. And that is what the Bretton Woods Agreement would seem to have been designed to prevent us doing. How can we exploit our assets?

First of all, by expanding our home production, especially of foodstuffs, to the maximum possible extent. This involves an expansionist internal credit policy, which is ruled out if we return to an international gold standard.

Secondly, by negotiating favorable trade agreements with those countries which have a complementary rather than a competitive economic structure. This involves bulk purchase contracts, a quantitative and qualitative control over imports, and reciprocal payments agreements. It is at least doubtful if Bretton Woods would permit any of these things.

Thirdly, by reconstructing the Sterling Area, which could be developed into an economic unit of immense influence and power, pledged to the fulfillment of an expansionist policy designed to achieve full employment and a rising standard of living. This, as we have already seen, involves the limited convertibility of sterling within the Sterling Area—in other words a "discriminatory currency arrangement," which is expressly forbidden in the Final Act.

A Practical Impossibility

The truth of the whole matter is that in the modern world of mass production, and scientific development, the uncontrolled interplay of supply and demand on unregulated world markets is a practical impossibility.

Some measure of purposive direction of trade is essential if chaos is to be averted, if debtor countries are not to be driven into deflation and insolvency, and if a depression in one country is to be prevented from spreading to others.

The issues at stake are of enormous importance, and they are not obscure. Are we going to throttle the production of goods by making gold the basis of credit? Are we going to accept the doctrine of non-discrimination, which is based on the fallacious assumption that all sovereign political states are of equal economic status? Are we going to hand over absolute economic power to the creditor nations of the world, by accepting the bargaining power of export surpluses, and rejecting that of markets? Upon the answers given to these questions our future prosperity must largely depend.

Katzer Now Proprietor

SPOKANE, WASH. — Edward William Katzer is now sole proprietor of Fisher-Katzer Investment Co., Symons Building. He was formerly a partner in the firm with George M. Fisher.

A. B. Prather Opens

JACKSONVILLE, FLA. — A. B. Prather is engaging in an investment business from offices at 4624 Apache Avenue.

Mutual Funds

Continued Bull Market Forecast

Edward P. Rubin, President of **Selected American Shares**, in a recent speech before Chicago stock brokers stated that stock values will prove over the next few years to have been much higher than present prices. "I think that such sell-offs as will surely come should be regarded as opportunities for further buying," he said.

Mr. Rubin emphasized the point that there would be corrections of the upward trend and that, while some of these corrections could be serious and perhaps could go into effect soon, they can be discounted in the long term view. "Stock prices have often been higher under less favorable circumstances," he said. "It is unlikely that we have discounted the best that is to come."

* * *

Lord, Abbett, in the current investment Bulletin on **Affiliated Fund**, takes a similar viewpoint of the market. In order to gain "perspective," this sponsor compares the magnitude of the present rise with that of the last two bull markets.

"The first, from 1921 to 1929, lasted for 97 months and represented a total gain of just under 500%. The second, from 1932 to 1937, lasted for 56 months and the gain was 370%. The present period, on the other hand, has lasted but thirty-eight months and has gained just 82%. Put another way, today's bull market has only gained 22% as much as the last one, and but 17% as much as the one before it."

* * *

In the current issue of **Abstracts**, Walter Scott of **Lord, Abbett** strikes an unusual note for investment company sales literature by showing the extent of the decline in each of the seven Lord Abbett sponsored funds in the recent market sell-off. The move ranged from a decline of only 4/10 of 1% for Union Bond Fund A to 5.7% for Affiliated Fund. The point is made that these seven funds "serve a distinct investment purpose in each case" and that their volitility is in relation to the purpose for which each one is designed.

Professional Investment Management

In a current investment News **Distributors Group** shows the performance of the 18 stock classes of **Group Securities** for the first half of 1945. All groups advanced, the percentage increases ranging from 9.1% for **Chemical Shares** to 32.7% for **Railroad Stock Shares.** During this period every single stock group did better than the market as measured by the Dow-Jones Industrial Average.

"But how can this be?" asks the sponsor. "How can all the 'parts' do better than the 'whole'? The answer is that something has been added to the 'parts.'

"That 'something' is professional investment management."

Better Income

An attractive, well designed little folder on the **Diversified Investment Fund Series of New York Stocks, Inc.** is the latest issue to come from the sponsor, **Hugh W. Long & Co.** Particularly well done is the clear-cut picture of what the investor in Diversified Investment Fund gets for his money.

Briefly, he gets an interest in 44 different issues as follows: 8 bonds with average assets of $1,755 for each $1,000 bond outstanding; 17 preferred stocks with an average net asset backing of $255 for each $100 of preferred stocks outstanding; 19 common stocks with average asset value per share of $51.79 compared with a current average price of $41 per share. On the income side the investor receives his share of 139 separate income items, all merged into four quarterly dividend payments.

Diversified is spread over more than 19 different industries in the following general categories:

54% in Industrials
27% in Railroads
19% in Public Utilities

On the basis of the current offering price and the 1944 payments on securities now held, it is estimated that investment income from Diversified Investment Fund will be about 5½%.

Ten Thousand Idle Dollars

Keystone Corp. rings the bell with the current issue of **Keynotes**, showing with charts and figures just what it means to let $10,000 remain idle and unproductive.

For example, ten thousand dollars which are held uninvested and which could earn 5% means a loss of—

$1.37 every day
$9.61 every week
$41.67 every month
$500.00 every year

"The sum of $1.37 a day would not appear very large. But it will buy a good lunch even in these days. The sum of $9.61 a week will indulge a hobby. A monthly expenditure of $41.67 is a substantial item for wearing apparel. A very satisfactory vacation can be financed with $500 a year."

Volatile Appreciation

National Securities & Research Corp., in the current issue of **National Notes**, presents charts showing some amazing factors in the inflation picture and points out that "inflation has always accompanied or immediately followed every major war."

"Stated simply, today's dollar is not only finding less to buy but is buying less. In terms of invested capital, the buying power of the individual's investment can be maintained only if the dollar value of his securities rise at least as fast as the general market average. By the same token, the advance must be better-than-average if profit is the goal."

National Low-Priced Common Stock Series is suggested as an investment which can be expected to give better-than-average appreciation in a rising stock market.

Diversification Among Investment Companies

North American Securities Co., in a current bulletin on **Commonwealth Investment Company** states in the heading, "Yes, We Believe in Diversification—Even of Investment Companies!" The bulletin goes on to tell of a recent order for 1,000 shares of Commonwealth which turned out to be part of an investment program divided up among eight different investment companies.

"All of the companies," writes the sponsor, "were of the open-end type except Company H, which was a non-leverage closed-end investment company. The principle of diversifying security holdings is well-known and widely accepted. Since investment company managers are human beings, it is just as reasonable to extend diversification to them, too."

Favored Groups

In its June 30 Investment Report on **Group Securities, Inc.**, the Investment Research Department of **Distributors Group** writes as follows:

"We continue to believe that selected, undervalued stocks are sounder holdings than cash at this time.

"Undervaluation is most extreme in our opinion in stocks of the type held by Steel Shares, Railroad Stock Shares, Railroad Equipment Shares, Aviation Shares and Low Priced Shares.

"Stocks fairly priced with respect to present earnings but undervalued with respect to their post-war prospects are of the type held by Chemical Shares, Tobacco Shares, Industrial Machinery Shares and Merchandising Shares."

Mutual Fund Literature

Selected Investments Co.—Portfolio memorandum showing holdings as of June 30; current issue of "These Things Seemed Important." . . . **Vance, Sanders**—Issue of **Brevits** showing that stock prices in retrospect are not high in relation to corporate earnings. . . . **Broad Street Sales Corp.**—Current issue of **Items** discussing the "Reconversion Period." . . **Distributors Group**—Current portfolio folders on **Railroad Bond Shares, General Bond Shares** and **Low Priced Shares**; current issue of Investment News.

Dividends

New England Fund—A quarterly dividend of 15¢ per share payable July 31, 1945, to shareholders of record July 20.

Diehl to Manage Dept. For Wm. R. Staats Co.

Robert D. Diehl

LOS ANGELES, CALIF.—Appointment of Robert D. Diehl, prominent for the past 16 years in the security business, as manager of the Corporate Trading Department of William R. Staats Company, 640 So. Spring Street, members of the Los Angeles Stock Exchange, pioneer California investment firm, was announced by John Earle Jardine, President.

Mr. Diehl has a broad background of experience with leading investment banking firms in Cleveland. He was a charter member of the Cleveland Security Traders Association and has been very active in that organization having served as Treasurer, Vice-President, and President in successive years from 1938-1941. He has served as National Committeeman to the National Security Traders Ass'n and was an original member of the National Association of Security Dealers Quotations Committee of District No. 10.

His association with William R. Staats Co. was previously reported in the "Chronicle" of July 12th.

Investors Syndicate Elects Macgregor Head

Earl E. Crabb, Chairman

MINNEAPOLIS, MINN. — The directorate of Investors Syndicate, Roanoke Building, underwriters and distributors of investment securities, announces the election of Robert E. Macgregor as president and director of the corporation and the election of Earl E. Crabb as chairman of the board of directors. Re-elected also to the board were: John M. Harrison, Henry M. Gallagher, and Paul E. Von Kuster.

Mr. Macgregor, prominently identified with the financial affairs of the Ninth Federal Reserve District, had been associated with the Northwestern National Bank of Minneapolis from 1897 to January 1, 1945 when he retired as senior vice-president of the bank. Joining the staff of the old Northwestern National in 1897 he had successively served as messenger, clerk, bookkeeper, teller, assistant cashier, cashier, and vice-president, and was senior vice-president from 1941 until 1945.

Mr. Crabb became associated with Investors Syndicate in 1925. He served as a vice-president from 1925-1935, was executive vice-president from 1935 to 1939, and has been president of the corporation since July 1939. He also is president of Investors Syndicate of America, Inc., Investors Syndicate of Canada, Ltd., Investors Mutual, Inc., Investors Stock Fund, Inc., and Investors Selective Fund, Inc.

J. L. McCarthy Joins United Bus. Service

United Business Service announces that John L. McCarthy has joined its staff as assistant manager of the investment analysis department. Mr. McCarthy was formerly associated in Boston with G.M.-P. Murphy & Co. and Southgate & Co., and previously in New York with Parrish & Co.

The Food Problem

(Continued from first page)

I might go further and say that it touches the lives of all the people in the world, for part of the problem is to decide what portion of our food supply we can spare to the hungry peoples of liberated lands until such time as their new harvest will make it possible for them again to feed themselves. America can't feed the world. We've got to make that clear and positive from the outset or we are inviting an awful lot of misunderstanding, trouble and ill-will. Even if we were to ship across the oceans every pound of food we produce, we couldn't feed the world. But we must do what we can; for the events of the past few years have made it clear to even the dullest mind that whatever happens in any part of the world, however seemingly distant, happens finally to us. Underfed children grow up with distorted minds, and when children with distorted minds grow big enough to carry guns they become a menace to the peace of the world. We don't need to look for other reasons.

So our own self-interest demands that there shall be plenty in America and a sufficiency everywhere in the world. If the Department of Agriculture and its related public agencies are to be at all effective in the solution of this terrific problem, they must have the help of an understanding and cooperative public opinion. Abraham Lincoln, in one of his debates with Douglas, said:

"In this and like communities public sentiment is everything. With public sentiment nothing can fail; without it nothing can succeed; consequently he who molds public sentiment goes deeper than he who enacts statutes or pronounces decisions. He makes statutes and decisions possible or impossible to be executed."

Will Give Food Facts

In the spirit of that wise comment I have left a loaded desk and come up here to take counsel with you. Because you men and women of advertising, publishing and the radio are the chief factors in the formation and guidance of sound public thinking. I know I can count on your help if I do my part. And as a first step in that direction I make you this pledge: So long as I am Secretary of Agriculture the people of the United States are going to get the facts just as fast as we can gather the facts and confirm them. The people are entitled to know how much food there is in the country, where it is and where it is going. In case of a shortage they are entitled to know whether or not the shortage occurs from the failure of nature, a so-called act of God, or from official negligence or stupidity. I do not for one minute go along with the idea that the people of a democracy who have proved that they are tough enough to win the greatest war in history, are such tender plants that they cannot stand the chill blast of unpleasant information. I have no sympathy with the notion that it is any part of the function of a public official to protect the people from the truth.

Anybody who attempts to deal with the American people on the assumption that they can be kidded or fooled or exploited for any length of time is riding for a fall. The great industries, whose advertising is prepared and published by you men and women, have grown great because the men who manage them believe that the American people are smart enough to distinguish between good stuff and poor stuff, between honest claims and ballyhoo, between a message that treats them as intelligent human beings and an effort merely to flatter or cajole.

The American people are an honest people. One of your members, who is a personal friend of mine, told me that for years his company has handled the advertising of a low-priced cigar. The sales plan was a published offer to send to any smoker 100 cigars on consignment. The smoker was to smoke ten and, if he liked them, send a check for the 100. If he didn't like them, he was to send back the 90 remaining and there would be no charge. My friend told me that over a period of years the company was imposed upon so infrequently as to make the losses infinitesimal.

During the depression we discovered how seriously the average American regards his promise to pay. Some of our economists and financial leaders were vastly worried as to what would happen to the industries that had sold millions of dollars worth of goods on the installment plan. They felt that people who had lost their employment, or feared that they might lose it, would simply throw up their hands and refuse to pay. What actually happened was so different as to be almost a miracle. If the merchandise was honest merchandise, something the family really needed and wanted, if it had been honestly sold at a fair price, the average American scrimped and saved and borrowed from his relatives and enforced upon himself every kind of self-denial in order to pay the debt. The cheaters and the chiselers were an almost unbelievably small minority.

I make no apology for beginning my remarks with this confession of faith in our people. If I did not have such faith, if I could not believe that when we get the true facts, and with your help, explain them to our citizens, we will have their united support, I would feel very uneasy about some of the problems ahead. Besides the one I mentioned at the outset—the question of how much we can and should contribute to relief—there are plenty of other problems that are tough. Very tough, indeed.

Demand Exceeds Supply

Right now, the demand for food exceeds the supply. We are facing the fact that many items of what America loves as its daily diet are in short supply. We are eating into our reserve stocks of meat, poultry, eggs, sugar, lard and canned goods. The public can be told that because, at the same time, we know our people will not starve. There is enough nutritious food for an ample though different diet, even if it doesn't include the things that you and I have been taught to like.

But the strange thing is that we run from rags to riches, from riches to rags, so quickly. Only a few months ago, we had more lard than we could store and some of it went to waste. We had so many eggs that whole trainloads of them rotted on railroad sidings, and, if the rumors around the Department of Agriculture may be believed a whole trainload of them disappeared into thin air on a busy day. It was only a few years ago that we were paying people not to produce sugar. Now we are so desperately short of it that only a few thousand tons in the national calculations may spell life or death for a small bottler or baker or candy stick maker who is already weary from the burdens of the war and may need only a final cut in quota to persuade him that now would be as good a time as any to quit.

I mention these sudden changes in circumstance to point out that the farmers of America deserve our highest praise for their wartime efforts. For eight years in a row they have been setting new all-time food production records. That's a long time for men to work and Providence to smile on their endeavors, but even that hasn't been enough to meet our unprecedented demands here at home—to meet the demands of a global war with the longest and most complex supply lines in history—and to help our fighting Allies and the peoples of war-torn liberated areas.

Actually our people ate so well last year, ate so far into our stockpiles, that we don't have much reserve now. And one of these years—it might be 1946—our luck in weather might fail—we could have too much or too little moisture in the corn belt and find ourselves with a poor crop of corn right when we would need it for feeding cattle, hogs and poultry. If that happens, we will be in real trouble.

No Policy Against Surpluses

That is why I have been telling the American public that mine will not be a bare-shelf policy for fear of surpluses. That's why I have stood as the apostle of abundant production and plan to do everything I can to help bring about the greatest yields the American farms have ever known. That's number one. And number two is closely related. I want to see the Government fulfill its promises on price supports to the farmer so that the farmer will be protected against the possibility that his very patriotism and hard work will become the instrument of his own destruction.

Let's talk about that just a little. When a manufacturer undertakes a contract for a 100,000 airplane parts, he knows that if the war should suddenly end or the plane model become obsolete, his contract may end but the Government contracting agency under the Contract Settlement Act would be available to pay him costs and a reasonable profit on the work done.

Has the farmer anything comparable? He has not. Yet his danger is greater. Raw material in the factory is available for other work and its use in the manufacture of needed war materials may stop immediately. But suppose the farmer has responded to the appeal to produce more of the poor man's meat, pork. His sows are bred, and if the war ends, they will still bring forth their litters of little pigs which the farmer will feed with grain that he now has planted to fill his bins and cribs. He can't turn off the spigot. When he goes into a crop year, he has to keep going. And

(Continued on page 317)

Pennsylvania Telephone Bonds, Pref. Stock Offered

Paine, Webber, Jackson & Curtis, and Stone & Webster and Blodget, Inc., headed an investment banking group which offered July 17 $5,500,000 first mortgage bonds, 2⅞% series due 1975, and 70,292 shares of $2.10 preferred stock of Pennsylvania Telephone Corp. The bonds are priced at 102½% and interest and the preferred stock at $55 per share and dividend.

The preferred stock offered is that portion of an issue of 70,292 shares which may not have been taken by holders of the $2.50 preferred stock under the company's offer of exchange on a share for share basis, with a dividend adjustment. This offer expires on July 30. All unexchanged shares of the $2.50 preferred are to be redeemed on or about Sept. 5, 1945, at the redemption price of $55 per share plus accrued dividends from July 1, 1945.

Proceeds from the sale of the bonds will be applied to the redemption of the outstanding $5,200.000 first mortgage bonds, 3¼% series due 1969. Any excess of proceeds will be used for general corporate purposes.

The new preferred stock is cumulative and is redeemable at $57.50 per share during the first five years from date of issuance and at $56.60 per share thereafter.

The new bonds are redeemable at the principal amount plus various premiums if redeemed on or before Jan. 1, 1975.

Everett McCoy With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—Everett F. McCoy has become associated with Thomson & McKinnon, 5 East Market Street. Mr. McCoy was formerly Indianapolis manager for Merrill Lynch, Pierce, Fenner & Beane and prior thereto was in business for himself.

Canadian Securities

By BRUCE WILLIAMS

The current controversy concerning the methods of certain Toronto securities dealers of selling Canadian mining stocks in this country, is assuming absurd proportions. Aggravated by growing sensational publicity, both here and in Canada, it has now become a problem that requires an urgent and constructive solution.

The fundamental facts are the following:

1. Canada has already afforded investors in this country immensely valuable stakes in mining ventures, which although highly speculative at the outset, have largely by the aid of American capital resulted in the establishment of internationally famous companies such as International Nickel, Noranda Mines, McIntyre Porcupine, Hudson Bay Mining & Smelting and Dome Mines, to mention but a few, which have returned handsome dividends.

2. Following the development of air transport, improved geological surveying and modern scientific prospecting, the more remote areas of the Dominion, and in particular, the northern section of the Pre-Cambrian Shield, a vast new mineral empire has been tapped.

3. The development of Canada's tremendous mineral resources is important not only to the Dominion but also to this country. In addition to the investment value, there is a growing realization that some of the basic, cheap cost mineral resources here are approaching the exhaustion point. For example great interest is now being displayed here in the vast iron deposits in Northern Quebec and Labrador in anticipation of dwindling supplies from the heavily exploited Mesabi field. For a similar reason, oil prospects in Alberta, The North West Territories and the Gaspe Peninsula have recently assumed a greater importance. Replenishment of war deplenished reserves from Canada could also avoid involvement in international competition for oil in less stable and more distant areas of the world.

Consequently, it is in the best interests of both countries to find the best means to enable capital from this country to play its proper role in the development of Canada's vast mineral riches.

Instead of indulging in long range sniping, representatives of the S.E.C. and the legal departments of the various interested states should meet with representatives of the Ontario Government in a spirit of constructive cooperation in order to rectify the mistakes of the past and to lay a sound foundation for the operations of the future.

One step in the right direction would be the simplification of S.E.C. requirements for the registration of approved Canadian mining and oil issues in this country. This would assist the flow of capital into the proper channels—the treasuries of the companies for mining and oil development, and not into the pockets of speculators on the Toronto Stock Exchange.

Turning to the market for the past week, there was as anticipated a stronger tone with higher prices. High grades, however, continued in scant supply and the demand was largely unsatisfied. Albertas, on the other hand, were quite active and registered gains of from 2 to 3 points. There was also a brisk turnover in Montreals and Saskatchewans.

Internal bonds traded on a considerably diminished scale following the abrupt cessation of rumors concerning the imminent restoration of the Canadian dollar to its old parity. Mining issues continued dull but as soon as labor and machinery is available, there should be sharply increased interest based on actual results rather than prospects.

With regard to possible future developments, the scarcity of supply of external bonds is likely to have a restricting effect on the market. High grades when available make favorable comparison with similar domestic issues and should be readily absorbed. Internal bonds in the absence of supporting currency rumors could develop a reactionary tendency.

Public Utility Securities

(Continued from page 302)

In the calendar year 1944 Columbia reported consolidated earnings on the common stock of $7,256,086 or 59c a share, and this income may increase to around $1 after consummation of the plan and repeal of EPT, it is estimated. A dividend of 50c a share would then seem a reasonable expectation which might warrant an ultimate price for the new common of 10 or over (the stock is currently around 8⅛).

OUR REPORTER'S REPORT

Failure of Delaware & Hudson Railroad to attract a single banking bid for the $50,000,000 of first and refunding bonds offered in competitive sale on Tuesday proved a bit of a shock to investment market interests.

A number of reasons were advanced to explain the absence of banking interest in the issue. The most widely accepted of these appeared to be the conclusion of people in two groups, which had been organized, that they could not make the company an offer which would provide for any saving in interest charges.

Others, however, held to the belief that the backing up of several recent rather large undertakings marketed through competitive bidding had tended to "freeze" investment banking capital to some extent and that, accordingly, with several other large projects pending, such as American Telephone & Telegraph's $175,000,000 of debentures, firms did not wish to risk being further tied up.

Among the recent slow movers, it was pointed out, have been two railroad issues, Louisville & Nashville and the Texas & Pacific Railway, and one large utility offering, that of Portland General Electric. Good-sized blocks of these issues are still around with Texas & Pacific reported available on a 4% basis.

There were some 76 participants in one of the syndicates which finally withdrew from the race for the D. & H. loan and approximately 100 in the other. This line-up naturally represented a fair cross-section of market judgment.

Bethlehem Steel 2¾s

Ruling out the huge offering of the Federal Farm Loan Banks, the offering of $75,000,000 of Bethlehem Steel Corp.'s 25-year consolidated mortgage bonds, on Tuesday, topped this week's list of new issues.

Priced at 100½, the indenture provides a sinking fund which, beginning July, 1953 will be sufficient to retire 2% of the original issue annually. The bonds are subject to call for redemption in lots of not less than $5,000,000, at any time at prices ranging from 103½ to par.

Although discussion of the possibilities of early Japanese capitulation was persistent the bonds were reported away to a good start on public offering.

Watchful Waiting

With the Delaware & Hudson offering coming "a cropper" the investment banking world is all the more interested in awaiting the outcome of the open bidding for American Telephone & Telegraph's $175,000,000 of 2¾% debentures on next Monday.

There is no question of ability to handle this huge undertaking under the older order, that is by way of directly negotiated sale.

But there is some misgiving with regard to the ability of the banking world to muster two or more syndicates to go after a deal of this size competitively. Report persists, however, that two groups will be in the field so that the only thing left to do is wait and see.

Sharply Rising Curve

Data just released by the Institute of Life Insurance reveals that the life insurance companies have been progressively larger buyers of war bonds on each of the successive drives, with only one exception.

On the occasion of the Fourth War Loan Drive their purchases dipped to 1.7 billions from 2.12 billions on the Third Loan Campaign.

Such purchases recovered sharply on the Fifth Drive, mounted substantial in the Sixth Loan Campaign, reaching the unprecedented total of 3.2 billions in the drive just closed.

Special Offerings Mount

The Street is full of special and secondary offerings these days and firms undertaking such business appear to encounter little or no difficulty in placing the securities involved.

Bonds, or stocks which have been coming out in this way are largely of the seasoned character and well-known among investors and market operators.

The several large blocks of Standard Oil shares offered late last week are a case in point. These shares were snapped up quickly and underwriters were able to close their books almost immediately.

McNear and Hoelscher in San Francisco

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Sherman Hoelscher has been admitted to partnership in McNear and Company, Russ Building, and the firm name has been changed to McNear and Hoelscher. Mr. Hoelscher was formerly a partner in Sidney P. Kahn & Co. and prior thereto was with Walston, Hoffman & Goodwin.

Mahlon Bundy Opening Own Investment Firm

ST. PAUL, MINN.—Mahlon C. Bundy has formed the M. C. Bundy Co. with offices in the Pioneer Building. He will act as President of the new firm. R. J. Newman is Secretary and Treasurer.

Mr. Bundy was formerly Vice-President of Greenman & Cook, Inc. Prior thereto he was an officer of M. C. Bundy Co. and Bundy & Park, Inc.

The Food Problem

(Continued from page 315)

when the surpluses come, there is no Contract Settlement Act for him.

That's why the farmer needs to know that the American Government means to stand by its promises on price supports. The Congress and the Department of Agriculture have been promising that for some time after the war their prices will be protected. The farmer has heard these promises and he wants assurance that their redeemer liveth.

It is to make this point certain that I have been urging that we total up our food needs, both military and civilian, and set that total as a production goal for agriculture in 1946, but that the military requirements be regarded as firm contracts or commitments. I think the Army and Navy will need the food, but if they don't the surplus must not be used to break the economy of the American farmer. It can much better be employed in relieving distress around the world.

So I have said, let us have abundant production of meat, of poultry, of sugar, of butter and eggs. Our present problems on each of these will admit of no other policy.

Take sugar for example. Our only hope right now is in increased production on continental United States. Cuba gave us her greatest sugar crop in 1944—more than 5,500,000 tons. Some of that was due to carryover cane which she could not harvest in 1943. Her 1945 crop was estimated at 4,600,000 tons, but when the grind began, we revised our figures steadily downward to 4,300,000, to 4,100,000, and the final result was under 4,000,000 tons. That threw off all our calculations. But we underestimated our industrial use by 480,000 tons and we were more than 300,000 tons off in calculating the home canning issuance by local rationing boards.

That's why we must be realistic about sugar, why editorials and advertisements need to tell and retell the story of our dwindling stocks. The man who wastes sugar today is the enemy of the American people, and you and I must check him if we can.

Help can only come from the American farmer. Drought has continued in Cuba until recently. The 1946 Cuban crop will likely be below the 1945 figure. Puerto Rico will do well to make a million tons and Hawaii cannot be expected to increase its already fine record. The sugar mills of the Philippines are apparently in fair condition. The largest one is intact, even to railroad lines and equipment. But the plantations may be growing back to jungle. Even if Java should be recaptured, its plantations may have gone back to jungle like the rubber plantations of Malaya are reported to have gone. The jungle is a ruthless enemy of man-made agriculture.

So on the American producer of beet and cane sugar we must pin our hopes for increased production and the protection of thousands of small businesses in 1946. And if the American farmer breaks his back and gives it to you, will you forget him if he needs protection in 1947?

Agricultural supports and the problem of farm prices are but a part of the whole question of pricing, which we know will be difficult as we move into the transition period from war to peace. None of us want run-away prices; down that path lies inflation. But if the producer can't be reasonably sure of profit, he can't produce, whether he be a manufacturer, a small business man, a corporation, an individual, a city-dweller or the everyday American farmer of whom I have been talking.

Subsidies

That brings up the question of subsidies. I conducted a hearing on meat problems in Chicago not long ago, and subsidies frequently figured in the discussion. Strangely, the producer wanted them paid to the feeder, the feeder wanted them paid to the packer, and the packer wanted them paid to the producer. No one class wanted them paid directly to itself. I have already started discussions with Will Davis, the fine Director of the Office of Economic Stabilization, as to the possibility of the eventual removal of all food subsidies. They have a tendency to stick. The metals subsidies were introduced to stimulate the production of metals badly needed for the war. Now we have ample stocks of metals, but the subsidy is still with us. The food subsidies may be as difficult to eliminate, but the job must be done, and if it is not to have serious implications for the producer it must be done when the demand is good and the price is strong.

When that day comes the Department of Agriculture will need the most valiant efforts of this group, but there will have been historic precedent for your assistance.

For the last three years you people have cooperated with the Government on win-the-war programs, including various programs dealing with the production and use of food in war-time. In your advertisements you have appealed to the American people to grow Victory Gardens, to preserve food at home, to volunteer for emergency farm work, and to do other things that will help produce food and use it as a weapon of war.

You people have done a great job in bringing about better understanding of the nation's food problems and what the public can do to solve them. The dollar value of space and time contributed has been many times greater than the actual expenditures of the Government in connection with food information programs. Even more important than dollar measurements is the patriotic spirit of cooperation which you have shown in devoting your outstanding talents to these win-the-war programs.

I personally am deeply grateful for the service you are rendering in the public interest, and I hope you will continue to promote the programs dealing with the production, preservation, consumption and fair-sharing of food. Right now we need continued appeals to see our gardens through. We need to keep on emphasizing the urgency of home food preservation—stretching the sugar allowance for home canning as far as it will go, and also drying, freezing, and storing such crops as are suitable for these methods of preservation. We need to carry to the public repeated messages on how to adapt eating habits to existing food supplies so that people can have the best possible meals with the foods that are available. We need continued emphasis on the importance of playing square with the rules of rationing and price ceilings so that everyone will have their fair share at a fair price. We are counting on you to get across the basic appeals that will arouse interest and stimulate the public to take such actions that will help both themselves and their country.

Producers Are Consumers

I have spoken of producers and consumers, but I do not like those words. They give a false impression; they create the picture of two different groups of citizens with opposite interests. As a matter of fact, the producers are the consumers and the consumers are the producers. Unless a man has food, clothing and shelter—which are articles of consumption—he can't produce. And unless he produces—assuming that he is not in a hospital, or in jail, or temporarily out of a job—there is no way under our economy by which he can continue indefnitely to consume. By and large I don't like any of the words that seem to divide Americans into specialized groups or classes—words like laborer, capitalist, farmer, business man or bureaucrat. We aren't a country of conflicting groups; there is hardly a household, hardly an individual, whose interests do not cross and overflow group boundary lines.

I am a typical example. As the owner of an 800-acre irrigated farm I am a farmer; as the owner of a small town insurance agency I am a small business man; as a Past President of Rotary International I am interested in business the world around. Since 1933 I have been eligible to be called a small bureaucrat, serving my State in half a dozen public capacities. And now, judged by the number of people in the Department of Agriculture, and the size of its annual budget, I could qualify as one of the biggest bureaucrats in the whole world.

How absurd it would be for me to talk about a "conflict" between American business and the American Government. How foolish for any responsible public official not to recognize that our greatest hope for the future lies in maintaining and strengthening that partnership between government and industry and agriculture and labor which, by its miraculous productivity, has made possible the victory of our fighting men and women around the world. The less we talk about conflicts and the more we talk about the profits of cooperation the better and richer we shall all be. The less we think in terms of groups and classes, and the more we think in terms of people, the sounder will be our thinking and our plans. This, I am confident, is the spirit of this national administration, as inspired and guided by its leader, the President of the United States.

I hope that you will not confine your efforts to the merchandising of the output of our factories but that you will as well turn your attentions to the products of our farms, that you will help those of us in the Department as we set new goals of consumption in these years that follow the war. America can be better fed. Millions of American youths who never knew what it was to have each day a generous portion of meat, a slice of bread and a glass of milk have come to like the nourishment that accompanies these foods. Through your art of advertising, through your skill in the creation of desires and the stimulation of wants, the advertising profession can prevent the development of the conflict that might come between the worker in the city and the operator on the farm. If there is full employment, if there is work at good wages, then there will be a demand for the fruits of American agriculture. Possibly in your hands, more than in the hands of the Secretary of Agriculture, is entrusted the key to a prosperous farm life in this great industrial land. You will lighten my burden and I am sure bring pleasure to your own tasks if you use well that opportunity in the period of agricultural adjustment and reconversion that faces us all.

The Securities Salesman's Corner

By JOHN DUTTON

Last week we dropped into the office of a large and successful retail organization in Philadelphia just for a short visit. It was about three in the afternoon and the day was hot. The first thing noticeable when one entered this office was row upon row of empty desks. Walking into the manager's office in the rear, we greeted our friend and his not too busy secretary, with the words, "Are they all out working, or LOAFING?" He laughed, and said, "You know where they are—they're loafing."

Then he told me of his problem—the boys in the sales department have made too much money this year. Taxes are now so high from here on, that some of them say it doesn't pay to work and pay most of it out to the tax collector. Some of them are playing the market trying to make some capital gains for themselves. Others are on a three-month vacation and only come into the office once in a while to swap a few stories and call some of their larger accounts on the telephone.

We heard recently of a New York firm that received several hundred leads and inquiries from its advertising in the Sunday New York papers. The regular salesmen refused to call upon these leads stating that they had enough prospects and customers to keep them busy, and they didn't care to do this kind of work because they had made enough money and the tax collector would get most of the balance of their earnings for the year, etc., etc. This firm finally hired several absolutely "green men" and sent them out calling on these prospects, just so the leads wouldn't go to waste. (In our opinion this was a mistake from every angle, but that's another subject in itself.)

There is no getting away from the fact that present day tax laws, with their increasing "take" percentagewise, upon the earnings of all who are engaged in cyclical lines of business, are a great deterrent to continued and consistent effort. It is one of the inequities of the present tax laws that these progressively higher tax rates work an injustice upon those who are engaged in the securities business, where one year it may be very difficult for a salesman to make even a fair living, and in another year (such as 1945) he ordinarily should have an opportunity to make up for those lean years and lay something aside for the rainy day. Present tax laws don't leave much for that rainy day—the more you make the greater the percentage you pay—and war or no war, it's plenty!

As we see it, there is only one thing upon which we would insist in running a sales organization where conditions such as these prevail. We wouldn't tolerate vacations IN THE OFFICE. If a salesman wanted to take a month, or two, or three, away from his work, we'd tell him to go to it. But we wouldn't have him around the office busting up the morale of the rest of the organization who still desired to be on the job. We would keep business going and we would keep on the job for one reason if for no other—YOU CAN'T DO A HALF HEARTED JOB AND EXPECT TO HOLD YOUR GAINS OR INCREASE YOUR BUSINESS—LOAFING BECOMES A HABIT JUST AS WORK BECOMES A HABIT.

As we see it, nobody really knows what is going to happen a year or two from now. Tax laws may be changed or they may not be modified enough to matter much either way. Business may be good, or it may be just so-so, or even far below present levels. But whatever will be the state of business in the country one thing is going to be a certainty for those of us who are engaged in the securities business—WE ARE STILL GOING TO NEED CUSTOMERS IN ORDER TO CARRY ON OUR BUSINESS. Since customers die—move away—get sore at us—lose their money in bear markets and generally behave as cantankerous human beings, the best insurance we can accumulate for the future is to ACQUIRE AS MANY NEW ACCOUNTS NOW AS WE POSSIBLY CAN GATHER AROUND US. EVEN IF THERE IS NOT MUCH MONEY IN IT AFTER THE TAX COLLECTOR GETS HIS HUNK—AT LEAST WE ARE BUILDING UP SOMETHING OF AN ASSET EVERY TIME WE ADD A CUSTOMER TO OUR LIST. A salesman who has a clientele that nets him $10,000 per year has an asset worth $500,000 at 2% tax free interest. He can go from one firm to another and always get a job if he has the clientele—in fact he has his own business, and he is a chump if he doesn't keep nursing it along; even when the immediate urge to loaf on the job is as strong as it has become today.

Business Failures in June

Business failures in June were lower in number but higher in amount than in May and in June a year ago. Business insolvencies in June according to Dun & Bradstreet, Inc., totaled 61 and involved $3,198,000 liabilities as compared with 72 in May involving $2,208,000 liabilities and 110 involving $1,854,000 in June a year ago.

All groups, except the retail trade and construction groups which had the same number of failures in June as in May, had fewer failures in June than in May. When the amount of liabilities is considered only the wholesale and construction groups had less liabilities involved in June than in May.

Manufacturing failures in June numbered 19 with $2,420,000 liabilities against 26 with $1,771,000 liabilities in May. Wholesale failures in June were down to 4 from 6 in May and liabilities involved were down to $48,000 from $99,000 in May. Retail trade insolvencies numbered 28 the same as in May, but liabilities in June were up to $515,000 from $175,000 in May. In the construction group there were 5 failures in June as compared with 7 in May and liabilities were down to $81,000 in June from $102,000 in May. Commercial Service failures in June numbered 5, the same as in May, but liabilities involved were up to $134,000 in June from $61,000 in May.

When the country is divided into Federal Reserve Districts it is found that the Richmond, Atlanta, St. Louis and San Francisco Reserve Districts had more failures in June than in May, the Philadelphia and Cleveland Reserve Districts had the same number and the remaining Districts, outside of the Minneapolis and Dallas Reserve districts which did not have any, had fewer failures in June than in May. When the amount of liabilities involved is considered it is seen that the Boston, Chicago and Kansas City Reserve districts were the only districts that had less liabilities involved in June than in April, with the exception of the Minneapolis and Dallas Reserve districts which did not have any in June.

Proposes Post-War Transportat'n Survey

(Continued from page 301)

sey; Pehr G. Holmes, Massachusetts; B. Carroll Reece, Tennessee; Charles A. Halleck, Indiana; Clarence J. Brown, Ohio.

"While the whole committee will, of course, be called upon eventually to labor with this problem, the preliminary spade-work will be done by this Transportation Subcommittee. I have discussed the plans for the inquiry with members of this subcommittee and I am assured of their wholehearted support.

"The committee proposes to assume its responsibility as to these problems as promptly and effectively as their complexities will permit. We are preparing a list of suggested topics for consideration of all who may be interested in these problems. These topics are in no way intended to be exclusive of other subjects which may be presented. These suggested topics will be given wide circulation to operators of transportation facilities, shippers and shipper organizations, committees and associations with an interest in transportation, chambers of commerce and similar public bodies, and to Federal and State regulatory commissions.

"However, the committee will not only welcome, but invite, information and constructive suggestions from any other persons who may be interested in these problems. We wish to make it clear to the recipients of our invitations that they are not confronted by a questionnaire; they are at liberty to comment on as much or as little of the suggested agenda as they may desire. They must understand also that replying to our invitations will not necessarily involve their appearance before the committee.

"We would welcome these replies as soon as possible, but hope that they may all be furnished by Dec. 1st. The information and suggestions furnished will be carefully studied and analyzed for the use of the committee in consideration of proposed legislation.

"A quarter of a century ago, when Congress approached the task of turning the railroads back to their owners, after 26 months of Federal control, the problem faced was mainly a railroad problem. That is not so today. It is, on the other hand, a general transportation problem."

The Problem

Continuing his remarks, Congressman Lea added:

"Today we have the problem of a general transportation system—

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Tomorrow's Markets Walter Whyte Says—

(Continued from page 302)

this belief. Only one medium, the stock market, differs with the widespread opinion. Just take a look at the action of the plane stocks and the auto stocks, particularly in the past three weeks, and you will agree that they don't act according to fundamentals.

* * *

The question therefore is, what is wrong? Why, if there is a tremendous auto backlog waiting for the motor manufacturers and practically none at all for the plane makers, why don't the stocks show it? A partial answer will be found in the belief that auto profits will no longer be limited to the Big Three, Chrysler, Ford and General Motors. You can expect that at least two plane makers will be in there fighting for a part of the business. Competition will therefore be sharper than before. But disregarding this opinion the stock market seems to say that the autos have either seen their highs or are close to them.

* * *

In the next few days the Street will be full of stories about the English elections. There are some who believe that the Conservatives led by Winston Churchill will be defeated and bring in a flood of radical changes which may be inimical to capital. I have no more knowledge of the election returns, or their results, than the next man, perhaps less. But I do know that British capital won't be asleep if the returns are bad. I don't, for example, believe our own market will be affected by any English political switch. On the contrary, if the Liberals win and social changes are indicated, it is quite possible that British capital will come into the American market with a vengeance. Of course there are exchange difficulties and regulations that prevent the flight from the Pound to the Dollar. But I have yet to see any regulation so stringent that there are no loop holes. So my advice is to forget the British elections so far as bearish ammunition is concerned.

* * *

To get back to our own market, there is little which occurred in the past week that is significant. Based on the action of the past five market days it begins to look as if the rest of July will be spent in backing and filling, with occasional spillovers such as you saw Tuesday. Some stocks look bad, others look good. Among the former, the motors, particularly General Motors, stand out. Among the latter, the steels, with U. S. Steel, continuing to show the best relative performance.

* * *

Though July, or what there is left of it, shows little, in the way of advance, August looks as if it will be a fairly good month for the bulls. Naturally this opinion is subject to all sorts of qualifications, or this column would advise buying additional stocks at current prices. But if present action continues it is not unlikely you will be advised to do just that.

* * *

Meanwhile keep your cash intact and hold positions in the stocks this column is committed to. These are as follows:

A. M. Byers, bought at 19 (current price) with a stop at 16.

White Motors, bought at 31 (current price about 29½) stop remains at 28½.

U. S. Steel bought at 56 (current price about 68) with

* * *

Flintkote, purchased at 29½, broke its stop of 28 on Tuesday's break. Gross loss was approximately 2 points. This deletion leaves you with the two stocks mentioned above.

* * *

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.]

Warren York Admits Fredericks and Smith

ALLENTOWN, PA.—Warren W. York & Co., members Philadelphia Stock Exchange, announce that Paul C. Fredericks, Jr., and Leland E. Smith have been admitted to the firm as general partners.

Mr. Fredericks has been with the firm for some time as manager of the Philadelphia office, Land Title Building. Leland Smith has been with the Allentown office, 530 Hamilton Street.

And It Came to Pass

(Continued from page 299)

No. 13. In that letter the Executive Secretary of District No. 13 says, in part:

"We should appreciate it very much if you would send in your ballot indicating your desires in relation to the proposal of the registration of salesmen and sales representatives."

It is needless to say that both of these communications, in effect, also urge upon the member firms an affirmative vote.

The extent to which the managers of the poll are actively concerned is best evidenced by the extraordinary circumstances that in order to accomplish their purposes, they are even prepared to issue duplicate ballots.

Of course, if the vote were truly secret, there would be no way of determining who voted and who didn't and hence, there would be no such thing as a possibility of issuing duplicate ballots because of the inability to ascertain to whom, if at all, these should be issued.

When we asked in one of our editorials whether it was the intention of the Governors of the NASD to get after non-voters, you can readily see, in the light of what is happening, we were upon firm ground.

Whilst thus far the only communications which have come into our possession, which try to influence the result, were circulated in Districts Nos. 13 and 14, we have no illusion that these are isolated opinions applying only to those numbered districts.

Whilst we have no definite knowledge on the subject, we venture the prediction that similar communications will be circulated throughout the country in all districts, to all non-voting member firms, so that their ballots may be corralled, and an attempted majority for the passage of the proposed by-law amendments influenced.

Nor will this be limited to written communications. As was done in the past, the telephone will be used extensively to influence voting and the tenor of the vote. This means that the brass hats will be trying to push through approval of their aims to regiment the industry at the expense of member firms.

In the letter addressed to the members who have not yet voted on the proposals in District No. 14, the following statement is contained:

"No increase in fees is contemplated."

Well, perhaps the Chairman of District No. 14 can answer a few questions for us. Assuming that the average member firm, if the by-laws are passed, would be required to register five of its employees, salesmen, traders, partners and officers, isn't it true, since the NASD has over 2,000 members, that this would mean the registration of over 10,000 individuals with the NASD? Would it not also mean the necessary additional personnel to effect such registration, to keep records, to communicate with the registrants, to assort the data received, etc., etc., etc?

Would not all this entail a large expenditure? Would not it therefore be necessary to increase the annual budget of the NASD?

If, as the Chairman of District No. 14 says, no increase in fees is contemplated, where will the Governors get the money? Will they use the funds that were heretofore budgeted for other purposes? If they will, doesn't it come to the same thing?

If no increase in fees is contemplated for the immediate present, isn't it true, that the registration of so many individuals and the work that it will entail progressively will require increasing budgets from year to year? Even a current guarantee that no increase in fees is contemplated must be utter nonsense.

If it becomes effective so comprehensive a plan as the amendments proposed will create a large and cumbersome machinery of great cost which the member firms, of necessity, will have to finance.

Unless, of course, there is some idea of in some manner assessing the proposed registrants. That is not without the realm of possibility. With respect to this phase, there has been a singular silence.

To say that no increase in fees is contemplated is but a half truth. We should know what is intended with respect to fund raising insofar as the same affects the proposed registration amendments.

The more we envisage this intended regimentation, the more insupportable we find it.

We still say to all member firms of the NASD that the issue is a full and indivisible one and that the best interests of the public and the securities field will be served by voting against the proposed amendments.

Proposes a Post-War Transportation Survey

(Continued from page 318)

a system composed of important competing agencies including transportation by rail, highway, water, air and pipelines. Each of these types of transportation are capable of performing a service that in some respects has advantages over all of its competitors. The nation has the problem of coordinating these different types of transportation with a view of best serving the interest of the nation and with fairness to the competing agencies.

"At the beginning of the war, our country had 30,500 miles of navigable inland waterways served in peacetime by over 11,000 vessels; over 8,000 miles of coastal and intercoastal water routes competing with our rail and highway carriers.

"There are 1,302 railroad corporations in the United States, of which 136 are so-called Class I roads, operating 230,000 miles of privately-owned lines and terminals.

"From less than 10,000 miles of hard-surfaced highways in 1919, this country now has nearly 1½ million miles of such roads—230,000 miles of which have received Federal aid. 26,200 trucking companies and over 1,500 motor bus companies operate more than 5 million trucks and buses over this network of roadways.

"There are now over 3,000 airports in the United States; the Civil Aeronautics Authority has plans for 3,000 more. There are approximately 35,000 lighted airline miles.

"There is a vast network of pipelines throughout the United States. These facilities are being expanded and are a potent force in the changing areas of production and distribution.

"To a very large extent, all of these forms of transportation have been developed without proper coordination with each other. Each is constituted on a different economic base, yet each is highly competitive with the others.

"The public is paying a tremendous bill for all of these services, both through direct charges and taxation. The services of all these agencies intimately touch the daily life of every citizen. Those engaged in agriculture and industry are dependent on efficient transportation to move their products to consumers at the lowest possible cost. This nation cannot prosper and can scarcely exist without an adequate and efficient system of transportation.

"In the light of profound changes in the economy of this industry and its relation to the country, we must adjust legislation and administrative control to an entirely new set of conditions.

"Obviously, the primary function of all agencies is to render adequate, efficient, and convenient service for shippers and travelers at the most reasonable charges consistent with the most enlightened treatment of labor possible under any given set of conditions. Charges for services should be as low as they can be made without sacrificing the sound standards evolved from the experience of many years.

"Our committee is fully conscious of the extreme complexity of the problems involved in this situation and the difficulties of their solution. Our hope and purpose in engaging in this survey of transportation problems are summarized in the resolution which I have introduced today. We trust that our inquiry will result in "a consistent public policy fair to all competing agencies of transport, to the using and investing public, and to labor to the end that the country's commerce may be moved with the greatest possible degree of economy, safety, and dispatch."

The text of Chairman Lea's resolution follows:

Resolution

Resolved, That the Committee on Interstate and Foreign Commerce, or any duly authorized sub-committee thereof, be authorized and directed to investigate the transportation situation with a view to recommending legislation that will result in a consistent public policy fair to all competing agencies of transport, to the using and investing public, and to labor, to the end that the country's commerce may be moved with the greatest possible degree of economy, safety, and dispatch.

Sec. 2. The committee, or any duly authorized subcommittee thereof, is authorized to sit and act at such places and times, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer oaths, to take such testimony, to procure such printing and binding, and to make such expenditures within the limits hereinafter fixed, as it deems advisable.

Sec. 3 (a) The committee shall have power to employ and fix the compensation of such assistants, experts, and employees, as it deems necessary in the performance of its duties under this resolution.

(b) The committee is authorized to utilize the services, information, facilities, and personnel of the departments and agencies of the Federal Government.

Sec. 4. The committee shall, from time to time, in its discretion, make such preliminary report or reports to the House of Representatives as it deems desirable; and shall, during the present Congress, report to the House the results of its investigation and study, and submit its recommendations.

An Opportunity for Investment Brokers

(Continued from page 298)

winning World War II. Our workers have more than two and a half times the necessary tools to turn out products compared to the British, and when you attempt to compare what our group has with other parts of the world, other than Britain, it is really useless to make the comparison.

How did those workers get access to the tools in order to produce the things our people are now turning out? Government agencies or legislative forces that stand in the way of ample production will run into difficulty through economic and social chaos occurring in the United States. If you educate the people of this country about the enterprise system and get the people of this country who have accumulated savings back into an attitude of investing so that our production will continue, you will render a great service.

Mr. Forbes has spoken about the disinclination of people to put their funds into private enterprise and thus create more tools for workers to use. Why did they hesitate to invest during the thirties? Why are they hesitating now? Those are questions which you should be discussing. The answer to questions of that kind is what you should get before the public, in my opinion.

Since January 1942, our people in this country have accumulated liquid savings of $124,000,000,000. The last calendar year it was forty billions. The first 3 months of this year it was eight and four- of one hundred and twenty-four tenths billions. Since 1941, a total billions have been accumulated—net liquid savings.

Suppose I accumulated on my ranch in Texas 500 head of beef steers and had no market through which to trade them. In the first place, I would be foolish if I did that without any market. In the second place, an accident might occur and I might die as a result of it—and then what? Who would want the steers? How would they be sold? It is important to have a market for trading. In that connection, I have expressed my admiration for stock and commodity exchanges. They create a means of liquidating my holdings, if I want to do so. I am not interested in holding beef steers or pork on the hoof or wheat in the granary if there is no means of my liquidating it. I am not interested in owning a security, if there is no means whereby I can liquidate that security.

Make the Public Understand

Do our people understand the fundamentals expressed in those thoughts? I am afraid that millions of those who would have participated in this accumulation of savings for the last 4 years do not understand all that is involved. Therein is your job as brokers to make them understand. You implement the market—you furnish the mechanism through which they can liquidate. You make it possible for those wheels to turn around. I do not think you have met your responsibility to the public insofar as educational work is concerned.

You may say that you do not have the necessary income from your job, from your commissions, to enable you to do this educational work. If that is true, then I insist that your remuneration be increased because I want a market. I want a free market. A member of the exchange said to me this morning that you can let these great difficulties appear momentarily but the people will soon take care of those difficulties and equalize the situation, if the public is free to act. But if you do not permit this freedom, and attempt to do the thing through planned economy, you will create a bad situation which may be perpetuated 5, 10, 15, or 20 years until we go through the wringer and the pressures work it out. Do you get what I mean?

The less our people understand about this machinery of exchanges, the more that public misunderstanding or lack of understanding will be reflected through Federal acts of Congress, and thus greatly circumscribe our activities and take away from us the freedom which we should have, and thus generally interfere with the free-enterprise system of this country. If you do not go to Washington from time to time and make yourself known to the House and Senate Members and in turn tell them the truth, not only today but tomorrow and next week and next month and next year and forever after tell it to them, never letting them forget what you say—if you fail to do that, why do you expect any consideration in either the House or Senate committees? If someone is going down there to poison the committee against your opera- minds of those who sit on your tions, and if your operation is decent and in harmony with American ideals and situations and you never go there and offer something as a substitute, why should you blame the Members of the House and Senate for following bad leadership? You should go to Washington, even when there is not up for consideration something that you are particularly interested in. You should go down there and take an interest in the fellow who represents your district and your State, so that when he thinks of production of foodstuffs, of clothing, or anything else, he will automatically think of someone who will make an investment through the stock-exchange machinery so that our machinery and tools may be provided and also working capital and somebody given a job so the goods may flow from the production line. If his mind does not go through with the flow sheet, then he does not comprehend the wheels of American enterprise.

Educational Responsibility of the Industry

Who is to do that job? In my opinion, the brokerage man and the commission man are the people who are best equipped to do that. If I sit down there on a committee that has a lot to do with American industry, and if I am friendly to the enterprise system, I am entitled to your respect and confidence and to information from you so that at any moment if an adverse proposition comes before the committee or in the discussion groups or on the floor, I can defend you with the most up-to-date information available. If I am unfriendly to you, it is up to you to make me friendly. That is your responsibility. I do not mean to say by that that I would excuse anyone that is unfriendly to American enterprise. I do not excuse them. If you would sit in on our sessions, you would find out that I do not excuse them because I am very extreme on these matters and at times I get very bombastic about the situation and say some very cutting things. I have no sympathy with a philosophy which opposes investment or production. I go so far as to make it very clearly understood what my position is. But I am depending upon you for information at all times, from this end of the line, and if I do not get it, it is your fault—not mine—because the facts constantly flow before you and you should send some of them along to me. You should know every Member in the House and Senate who has a friendly attitude towards your industry. If you do not know them, that is your fault, because no public official that I know of is unconscious of the fact that he is elected by the people. If an elected public official is so dumb that he does not recognize the voting power of the people, then God help him! There is no hope for him. If he does recognize that people elect him, then he properly evaluates public information. Therefore, he is responsive to public information and you are the ones that should make public information with respect to this particular industry. The farm spokesman should make public information with respect to farming. The steel man steel. The oil man oil.

I can well understand why Mr. Rockefeller made that statement to Mr. Forbes about "Do the right thing and let the public know you are doing the right thing." If you don't toot your own horn, with respect to this particular industry, who is going to toot it? You cannot often enough say these things to Congress. Congress is in a continual flow. A Member of the Senate and House must deal with 15 or 20 different subjects a day. A Cabinet member said to me as late as day before yesterday: "If I decide to spend 5 minutes on some particularly important subject and start out to do so, before I can get rid of that, a dozen more things come into my hands—entirely disassociated matters." Why? Because we are serving the public. But that does not excuse you from placing before me facts pertaining to your industry.

Investment Marketing Reorganized

You have gone through a great reorganizing process here in the last few years—the Securities Exchange Act. Personally, I think you have at the head of your stock exchange now a model, capable Government employee. I mean Mr. Emil Schram. I said so when the change was made. I am not intimate with this gentleman—we do know each other, however. But you recognize forces when you see them. Nobody has to apologize for the job he has done since he came here. I looked at him a while ago and admired his youth, because I comprehend some of the job that is ahead of him. You take the educational program that he is promoting. You cannot get into that quickly enough. There is an unlimited field in which you can work.

Take the work of this league headed by Mr. Forbes. The first time I heard of it, I was in my district. Some fellow called me up from the hotel and said he wanted to speak with me. He talked to my wife. I got in touch with him and he told me about the league. I told him I was interested in it because it was educational. Investors Fairplay League. Fair play. If I could get into politics and into Congress one-fifth of the fair play that you have in industry—between the wholesale jobber and the retailer —between you and your customers—between the man that represents your particular product and the fellow who buys it from him. You fellows have really learned how to develop fair play. You know how to make obligations over the telephone and carry them out. You don't have to have a long written document. You live up to those obligations or you pass out of the picture from unfair dealing.

The public doesn't know that. People who have never had practical experience do not know how industrial transactions are conducted.

Here you have twelve to fifteen million young men and women who are going to come back to civilian life. Keep in mind that they grew up primarily during the last two decades. What are you going to do with those people when they come back? There is an untouched field. Few of them know anything whatsoever about investments and how the wheels go around. Yet that group, I hope, will control this country. I prefer to have the forces of the country in their hands above the group that has been here. You will say, "They are young." Well, they have lived 50 or 60 years within 4 years. They have been abroad and have seen what goes on in other countries. When they come back here, I am ready for them to take over the forces of the United States. If we cannot trust them, whom can we trust? They will come back into politics and industry and all the walks of life and start out. What road will they travel? A free market road or the Government-owned road? You are going to have something to say about that. You should have a program ready to place in their hands.

Take the other group who have been here at home during the past four years and who have received these Government checks which has enabled $124,000,000,000 to be saved. What do they know about investment? You have to tell them. Therein is your educational opportunity.

I said to Mr. Forbes' man last night, "Mr. Jackman, I hope you have these open discussions in every region of the United States just as quickly as possible."

People have been saying to me, "There is no longer any opportunity of consequence in the United States where our people can invest their savings. We hope to have them export their capital from the United States to the other countries of the world and build buildings, put in machinery, and supply tools." I said "That's fine as far as you go. Then what?" "We are going to bring the standard of living up in the other parts of the world." Yes, but in the meantime, what are you going to do about employing 60,000,000 skilled workers in this country?

Mr. Truman made this remark in his home town yesterday: "My duties: No. 1, win the war with Japan; No. 2, win a peace that will work. That is all I shall devote my time to from now on."

A member of the House came back from a world tour the other day, having visited 30 different countries, and he made one of the most beautiful and entertaining speeches I ever heard on the troubles of other countries and other people. I was on the floor and I referred to that in this way: "I enjoyed my friend's speech. I love to hear him talk. But, incidentally, we have some problems in the United States with which to deal. God Almighty doesn't expect me to work out all the problems of my friend from Michigan. God expects me to work out my own salvation and that of my family. The British and the Russians and the Chinese will have to work out some of their own problems. There is something to be done in the United States."

Free Enterprise Needs Investors

If you have the free-enterprise system and then let it die by permitting our people to fail to invest the necessary funds in this country's enterprise required for our expanding economy we shall thereby cause unemployment and social unrest under such conditions, where do you think the work of Mr. Truman will land with the world peace? In my opinion, it won't amount to a hill of beans. The foundation of all peace is for our people of this country to receive what they conceive to be social and economic justice reasonably satisfactory to the people of the United States. In the absence of that, what have you got? You have an accumulated debt of $300,000,000,000. You have a young force coming up that will not have the form of government under which we older ones have lived. The relations with other countries will break down, the Bretton Woods, the San Francisco Charter, all of it will go out of the window if we have great social unrest and unemployment. We have got to maintain some sense of balance here in the United States.

You take any young man or woman who is in the service. How can they fall in love and build a home and raise and educate a family under the tax burden imposed upon them by a $300,000,000,000 debt? They will give you some hot answers pretty fast. Suppose a man earns five or ten thousand dollars a year. What has he left after living and paying taxes? You say taxes will be reduced. Maybe they will. We may increase them. When I say "We may increase them," I mean our errors may force an increase. You have the job of inducing our people to invest in the capital structures of present and prospective industry whatever funds are necessary to maintain reasonably full employment in the United States. To me, that is your biggest job. You have to do educational work along that line. You have to do whatever is necessary to educate the public to have a respect for stock and commodity exchanges. You have a lot of people in Congress who have not too much respect for them. I am sorry that that situation exists. But I think you can correct it. You have your ethical rules and just regulations. I don't know how they can be improved upon. Altogether, however, I think you are doing a pretty fine job in that respect. But I do not think you are paying enough attention to this question of public relationship. I don't think you have ironed out all your difficulties here as between the exchange and the customers.

Free Enterprise Requires Free Markets

We have sufficient situations in Washington to prove conclusively these truths. If this enterprise system is to survive, you have got to have free markets. How free can they be, and if they are free, then, as Mr. Schram pointed out, you are going to have an accident once in a while. Somebody is going to get out into the road and get hurt. But there is no reason for the road to be destroyed because some fellow had an accident. In the presence of freedom, we can afford an accident once in a while. How much freedom are we to have?

There have been a lot of discussions on this matter in the last 3 weeks between our committee and Mr. Bowles. I have repeatedly said that it is my opinion that just from the present flow sheet you will have OPA regulations anywhere from 3 to 10 years. Why do I say this? Because where the public—you and I—have built up in our own minds a conception that we must have a Government agency controlling our affairs to prevent you and you and you taking your cash and credits and converting them into goods and chattels, etc.—a Government agency standing here ready to serve that prevents us from making that conversion—and if you are to justify that that Government agency is to stay as long as you have those credits and currency at your command, how long do you think you will have an OPA?

If you are of the opinion that a Government agency must be maintained to prevent that, as long as you have buying power at your command, then the OPA will go on. Let us get rid of the philosophy and then you can rid yourself of the controls.

How can you move $200,000,000,000 worth of buying power back into the market and do it quickly, simultaneously with reasonably full employment and high wages and salaries as under our present concept of paying the fellow for what he produces and all without great price inflation? Suppose in the calendar year of 1946 we produce $150,000,000,000 worth of goods and services, and the employees receive wages and salaries incident thereto and still hold in their hands $200,000,000,000 worth of buying power, which gives you $350,000,000,000 worth of buying power to buy $150,000,000,000 worth of goods.

I contend that if we have reasonably full employment and you and you and you have wages coming in, then it becomes unnecessary to cash in your War Savings bonds. You can let those bonds run, thus making it unnecessary for the Treasury to refund. I contend that under full employment there is no reason for you to liquidate the Government savings bonds you have. Reasonably full employment will answer at least a half a dozen great difficulties that will face us if we do not have reasonably full employment.

You have an opportunity to do some educational work on that particular phase. We go out and sell savings bonds to the payrollees and say to them that after the war they can cash them in and buy what they want. Why do we preach such philosophy? You cannot cash in and buy unless the goods are there to be bought. Go to the automobile industry, the refrigerator, and the household industry, and try to find goods to buy. If you cash in your bonds, where is the Treasury to get the money to cash those bonds with? Either from the printing press or the commercial banks. We do not want the dollars from either source because either increases the inflationary forces and makes it even worse than it is now. Do you see what I mean?

Suppose I take my savings and place them through the stock exchange into the capital goods structure and build a new plant to produce civilian goods and employ 1,000 people instead of taking those savings and buying some new household gadgets. That is the course you should be pointing out to the people of this country right now in every way that you can. That is, invest and employ and produce until we again have the goods.

What have you as a group done to teach the people of this country what freedom in the market place means? Show me a bulletin that you have issued. Show me an advertisement that you have run in the daily papers of this country. You have members who have put out a lot of perfectly grand individual discussions in this line, with limited circulation, going to a very highly intelligent group. But what have you done to educate the masses along the line I here mention? Send me copies of it and I will use it on the floor and try to advertise it for you. If you have not done such a thing, do you have a committee doing it? If your present income will not permit you to do so, then raise your fees, because I want a market place to liquidate securities if I am forced to do so. And I am depending on you for that market place. If I want that market place, I am willing to pay for it.

Close Books on Offering Of Fed. Farm Loan Bonds

Public offering was made July 17 by the 12 Federal Land Banks through Charles R. Dunn, their fiscal agent, at 100⅝%, of $176,000,000 1½% consolidated Federal farm loan bonds dated Aug. 1, 1945, due Oct. 1, 1950, and not redeemable before Oct. 1, 1948. The bonds are being distributed on a nation-wide basis through a large selling group of security dealers and dealer banks.

It was announced the same day that the bonds had been heavily over-subscribed and the books closed.

Net proceeds from the sale, together with cash on hand, will be used to pay notes in an aggregate amount of $172,300,000 held by the Federal Farm Mortgage Corporation; to retire approximately $2,950,000 of the capital investment of the United States in the Federal Land Banks; and to purchase approximately $6,000,000 of mortgages and real estate sales contracts from the Federal Farm Mortgage Corporation. The borrowings from the Federal Farm Mortgage Corporation were effected to provide a portion of the funds needed to retire on July 1, 1945, all the outstanding consolidated Federal farm loan 3% bonds of 1945-55, amounting to $230,000,000, and to repay part of the Government's capital investment in the banks.

The consolidated bonds just offered are not Government obligations and are not guaranteed by the Government, but are the joint and several obligations of the 12 Federal Land Banks which operate under Federal charter and under the supervision of the Farm Credit Administration, which is under the general direction and supervision of the Secretary of Agriculture.

With Hemphill, Noyes Co.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—Wendell Sherk has become associated with Hemphill, Noyes & Co., Merchants Bank Building. Mr. Sherk was formerly head of Sherk & Co., Inc. for many years.

How to Get More Employment

(Continued from first page)

working conditions for the vast majority of American wage earners.

Let me comment briefly on each of these three programs, which I will call the "Labor Follies of 1945." They are:

1. The Folly of demanding more pay for less productive work.

2. The Folly of refusing to have a legal obligation imposed on both employers and employees to settle labor controversies peaceably.

3. The Folly of trying to make it illegal for employers and employees to exercise a freedom of choice as to their associates and co-workers.

Probably these criticisms will put me in the labor doghouse reserved for reactionaries and renegades, despite the long years of service I have given to the cause of organized labor, and despite my deep conviction that the welfare and progress of the entire nation depend upon, and must be measured by, the welfare and progress of the wage earner. But, because of this conviction, I feel it necessary to protest as earnestly and noisily as I can against delusive schemes to benefit labor which will have more unhappy results than investing in gold bricks or Japanese bonds.

1. More Pay for Less Productive Work.

The first Folly is to demand greatly reduced hours of work, with no reduction of earnings. This is supposed to be the way to provide work for more workers and thus to take care of an increasing number of unemployed, without any loss for any workers.

There are two fundamental weaknesses in this program: **First**, a nation-wide reduction of hours with increased rates of pay must increase labor costs, which are the major costs of all production, so that higher prices will promptly follow. Higher prices mean a reduced buying power of money. Therefore, when the wage level rises throughout the country, without an increase in quantity or quality of production, the cost of living must rise and higher wages will buy no more than previous lower wages.

The only way whereby a policy of higher wages and lower prices can be maintained is through increasing the productivity per man-hour of labor. Therefore, shortened hours and higher pay, with no increased productivity, bring nothing but inflation, that is, rising prices with a diminishing value of the dollar.

The **second** objection to this program is that it can't be carried out, even with government support. Our government has been able to establish a 48-hour week, with 8 hours' overtime pay, as a wartime measure. The increased costs thus forced upon manufacturers have been met by increased prices; and, since our government was the biggest customer in the world, these prices could be paid out of taxes and money borrowed on bonds. But, with the end of dominant government spending, and with a strong revival of competition (which is a government policy supported by organized labor, and is fundamentally a sound policy), employers are not going to pay for any more overtime than is absolutely necessary. The loss of earnings from a general reduction of overtime pay will be too large to be made up by increasing straight - time pay. Nevertheless, such an enormous and impossible wage increase is being widely advocated by labor organizations. Let's look at a few hard figures and see just what we are talking about.

I admit that statistics are an annoyance in a speech or an argument. It is much easier and more amusing to talk glittering generalities. But my statistics reveal some exciting facts.

The official reports of the United States Bureau of Labor Statistics show that in the present year the average weekly earnings of factory workers were approximately $47.50; and the average weekly hours were about 45½. This meant average hourly earnings of nearly $1.05, when average straight-time wages were about 90c an hour.

If straight-time wages were retained at an average of 90c, and if the work-week, without overtime, were reduced to 40 hours, the average weekly earnings would become about $36—quite a drop from $47.50. On the other hand, in order to retain weekly earnings of $47.50 for a 40-hour week, it would be necessary to raise average straight-time pay from the present average of 90c to nearly $1.20 an hour. This would call for an average 33% increase in wages throughout the country. Such a wage increase, followed by a corresponding price rise would make every dollar in savings banks, war bonds, or insurance policies worth less than 75 cents. So, the wage-earners would gain nothing out of their wage increase and lose part of all their savings.

Now let's consider what is really going to happen after the war and during reconversion. There is of course an enormous demand for things which have not been produced during the war. It should be possible to re-employ all workers released from war industries and to re-employ all returning soldiers, if a few million temporary war workers retire permanently from the ranks of wage earners. Millions will undoubtedly be retired; many at their own desire and others because of an incompetence which would never permit their employment at standard wages in competitive industry. Therefore, we can assume that, despite a good deal of temporary unemployment, it will be possible for a time to re-employ all the available competent labor, if labor productivity is maintained or increased and the general wage level does not seriously rise. But a marked rise in the wage level, without increased productivity per man-hour, will blight the post-war revival of business in a short time. For a period, there will be a strong consumer buying power resulting from savings, which will support the obvious demand for new goods. But this buying power and this imperative demand can only be maintained for a prolonged period of peace through maintaining or increasing the value of every man-hour of production. It is just as inevitable as the sunrise that if the average work-hour produces less goods at the same or greater dollar cost, every dollar of wages or savings will buy less.

So, as we produce less and gradually buy less, we will steadily be going down hill into the depression which has followed every great war, and which will be simply accelerated by a program of less work for more pay.

Perhaps the normal post-war depression (customarily following a false dawn of prosperity) cannot be avoided. But certainly the only program which would hold out any hope of avoiding another great depression would be a program of increasing the productivity of the average man-hour throughout the nation. Then, with more goods available at lower cost, the maintenance of a sustained demand might be possible and the stability of employment definitely prolonged.

It has been my intention, in discussing the first program of folly, to lay the groundwork for understanding the equal or greater folly of two other favored programs. You can listen to arguments for days, which will change few opinions, on the question of the relative effects of low prices or higher wages upon our economy. I have tried to avoid boring you with an elaborate argument in favor of my point of view, and so have left myself vulnerable to attacks by the economists of other schools of thought. I would only say, in concluding the discussion of this subject, that I have read several hundred dull and authoritative books discussing these issues, and I have written a few myself! And I have come in the end to a few simple conclusions. One is that the wealth of a nation depends on the volume and efficiency of its production. Another is that unless higher wages mean lower prices—that is, unless the pay for an hour's work will buy more or better goods—the wage earners are simply being fooled when they gain a general wage increase. A third thing I have learned is that borrowed money has to be repaid; and a prosperity based on borrowed money is bound to collapse unless the borrowers are willing to work hard enough to pay their debts in addition to earning a decent living.

According to these convictions, I do not see how the American people can expect to enjoy easy times for many, many years; and the effort to delude the masses of the people into thinking that, when the war is over, they are going to live better and work less, is a confidence game of majestic size. Many of the discomforts and annoyances of wartime should disappear with the end of the horrible, tragic suffering that war brings. But, unless the American people understand that they will have to work harder than ever before in the next 20 years in order to enjoy a decent living, they will go rolling down the easy descent into a great depression without any effective effort to save themselves until such evil times are upon them.

Of course we have always one hope; that our scientists and inventors—our brain trust at which we love to sneer, but to whom we look for salvation—may create new mechanisms and devices whereby our production per man-hour can be enormously increased. Then we may achieve the miracle of higher wages and lower prices in such miraculous proportions that we can pay our debts, support our vast charities, and still live fairly well. I pray that this may happen, but it is not safe to count on it!

2. Refusal to Accept a Legal Obligation to Settle Labor Controversies Peacefully.

Now, with some understanding of the economic problems we are facing, and of the essential folly of the program to get more pay for less productive work, let me turn to the companion folly of continuing to relieve organized labor and private management of any legal obligation to settle their controversies peacefully and without stoppages of production. It should be obvious from what I have said heretofore, and it will be generally agreed, that the maintenance of a maximum of production is a most urgent need in the coming years. But how is such production to be maintained in the midst of a renewed and intensified civil warfare between employers and employees? How is production to be maintained when management cannot make a contract to deliver goods except subject to nullification by a strike? How is it possible to maintain production when management control of a work force is disputed, not occasionally, but daily; and when the continuance and efficiency of production is determined by the wisdom or foolishness of labor representatives who vary in character from responsible citizens to selfish labor politicians and on down to racketeers and criminals?

For these conditions, the remedy is obvious. This involves no puzzling questions of economics, no difficult theories of finance, none of the mysteries of a monetary problem. This problem has its solution in the world-old and well tried means of preserving law and order and enforcing a responsibility to the public interest.

We have an administration of justice. We have laws by the thousands, and courts by the hundreds to enforce them, so that all the differences of interest between men can be adjusted, and so that injuries can be redressed and crimes can be punished. When men work together, they do so under the terms of contracts, either written or verbal, and commercial contracts are enforced by law. But, when we enter the field of labor disputes, we find disregarded all the machinery of law and order, all the principles of fair dealing between man and man, all the authority of the government to protect the public interest. We find established as a principle, with much misplaced pride, that employers and employees shall be free to fight out their differences with fist and club, no matter how much suffering they force upon each other and upon the communities in which they live.

We are today engaged in a tremendous effort to provide the means of preserving international peace, after the worst, most devastating and widespread war in history. Yet, while the country is practically united in the desire to see a machinery of international peace established, we have not undertaken the much simpler task of insuring domestic peace in the United States. All we need to do is to provide a governmental machinery for the negotiation, conciliation, and eventual arbitration of labor controversies, and to insist that labor controversies be settled in this peaceful manner, in order to end an era of civil warfare in industry which has disgraced this and previous generations, and should be found intolerable by the oncoming generation.

Without going into a long discussion of a desirable law to promote industrial peace, I will call your attention to the proposed Federal Industrial Relations Act which is now before the Congress, in the shape of a bill introduced in the Senate on June 20th by Senators Hatch, Burton, and Ball. If you hear outcries from organized labor and from organized employers, both denouncing the bill, you can be very sure that it deals fairly and impartially with both interests, and is devoted primarily to the protection of the public interest. I venture to assert that the interests of the masses of American workers and American businessmen are not represented by those "friends of labor" who are unwilling to have the organizations of wage earners accept the responsibilities that go with the power which they have, or by the organizations of businessmen, who oppose equally labor organization and the acceptance of public responsibilities by employers. Whether the opposition of such persons is blind or selfish, it is not grounded in either good common sense or good social morality.

3. Fair Employment Practice Acts.

Now I would turn to a third program of folly. There is a nationwide demand for state and federal laws, which are commonly called "Fair Employment Practice Acts," which have the noble objective of preventing discriminations in employment against persons because of "race, creed, color, national origin, or ancestry." The bill for this purpose now pending in Congress is subject to the same sort of criticism which would lie against a national prohibition act. The objective may be noble; but the legal enforcement of a moral rule whch is not generally acceptable is a tyrannical abuse of political power.

We can all agree that it would be desirable to stop unjust discrimination against persons because of race, creed, color, national origin or ancestry. But it is practically impossible to draw any legal line between the doing of an injustice, because of an unwarranted prejudice, and the exercise of a fundamental freedom to choose one's co-workers and associates. The effort to prevent and punish by law what is called "discrimination" will certainly interfere drastically with the creation of competent, efficient, harmonious business organizations. It will certainly provide an excuse for every incompetent or otherwise unsatisfactory employee to threaten a lawsuit if he is discharged, or if he is not advanced according to his own estimate of what is due him.

According to the bill now pending, such a law will also give to persons whose employment has never been invited or desired the right to claim that they are being unlawfully refused employment. There is no defined class of "employees" in the Federal bill, so that if an employer were considering hiring anyone, from an office boy to a general manager, he would act at his peril in rejecting the application of a man who might claim that he was discriminated against because of his race, color, his creed, or ancestry. Strangely enough the promoters of this law do not outlaw discrimination because of sex; but women as well as men could claim that any one of the other discriminations had been practiced. However, in order to make the law a perfect absurdity, it should include a prohibition of discrimination because of sex or age or halitosis. A person should not be deprived of a job because of the misfortune of being a woman, or being young or old, or having a bad breath!

If this hurdle of employing a work force is safely passed and all new employees, after the enactment of the law, have been legally hired, despite the protests or demands of others who wanted the jobs, then, not only must every discharge be made at the peril of the employer, but any discrimination "in compensation or in other terms or conditions of employment" may be attacked on the theory that it is a violation of law.

It is wonderful to contemplate the difficulty of building up and maintaining a good organization, with such a threat of lawsuits hanging over the management every hour of the day, as though a sprinkler system had been improperly installed and might produce a deluge at any moment!

Of course, it can be assumed that most persons who want to retain a job and be advanced will hesitate to file a legal complaint against their employer as the means of proving their value to him! Nevertheless, every large business must be engaged continually in hiring and firing and in changing the compensation and conditions of employment of its various employees. So there will be plenty of disgruntled employees to keep a Federal board and thousands of investigators busy all the time. And in every large business, we can assume there will be an alert labor organization which will receive a stream of complaints from its members which it will prosecute diligently.

We have had enough experience with the National Labor Relations Act to know how grievances of incompetent and untrustworthy employees can be twisted into claims of discrimination because of labor union activity. But at least that law deals with specific practices as to which evidence can be taken; and the objective of the law is not a complicated effort to interfere with all exercises of managerial authority and to give indefinite rights of complaint by employees against any sort of individual treatment which can by any stretch of the imagination be ascribed to prejudice.

It can be safely asserted that Fair Employment Practice Acts will provide the most disorganizing, deteriorating influence on private enterprise that has yet been devised. I do not claim that this program originated in the secret plotting of Communists, scheming night and day to find new means of undermining capitalism and free private enterprise. But it would be a slur upon the ability of Communist leaders to suggest that they had nothing to do with originating it. It is also evident that Communists and fellow travellers and extremists in the labor field are strongly supporting "anti-discrimination" acts.

Also, I will not suggest that discrimination against Communists is definitely forbidden; but I will point out that the word "creed" covers any form of belief, which may be religious, political, or social. And it will be plain that any Communist or other subversive zealot will be able to find a basis somewhere in his "race, color, creed, national origin or ancestry," so that he can complain of an illegal "discrimination" which otherwise would be described simply as a natural dislike for a refractory or incompetent or discordant employee.

Summary

In summing up the Labor Follies of 1945, attention should be drawn to the quality of thinking and the capacity for leadership exhibited by those who support all three of these follies. Let any impartial person undertake to devise a program to advance the interests of the wage earner. He would inevitably choose the opposite of each of these three methods.

First, an unbiased friend of labor would say: The worker can only make more money by producing more. He should insist on being given the tools and the opportunity to produce as much as possible in a reasonable work day, with a chance to add to his earnings by voluntary overtime to an extent not destructive of health or decent living conditions.

The old days when so-called "aristocrats of labor" could get disproportionately high wages are fast disappearing because, with so large a percentage of wage-earners organized, they are for the most part working to produce things for other wage-earners to buy. The "profit" of managers and investors is so small a part of national income, and their purchasing power is so comparatively small, that, except in the purchase of luxuries, the prices paid by the masses of consumers are determined largely by the labor costs of production.

So today a wage rise in one industry is usually obtained as a part of a rise in the national wage level, which means also a rise in the national price level. There is no real gain for the wage earner except where he gains by producing more goods in the same time or with less effort. Just disregard all the corporate mechanisms, and lay aside for a moment the attack on excessive profits by management or investors—which organized labor can rightly seek to reduce, but out of which no large wage increases can come. Just consider the wage-earner as the maker, with machine aid, of two pairs of shoes an hour which he can exchange for, let us say, four shirts as the product of a shirtmaker's hour of work. If the shoemaker is enabled to make three pairs of shoes an hour he can exchange them for six shirts; and if the shirtmaker can make six shirts in an hour the net result is that the shoemaker gets six shirts and the shirtmaker gets three pairs of shoes.

Of course this is an oversimplified picture; but it is a graphic example of an inescapable economic fact. A people as a whole advance materially only by producing more. The individual, or a small organization, may be able to make money out of the losses of others. But, labor nationally organized can only advance by increased production. Those so-called leaders of labor who keep perpetually demanding more pay for less production in shorter hours are leading their followers down-hill and into the swamps. The heights of prosperity are in the opposite direction.

Any labor leader who understood that there is now only one way in which labor can advance would, of course, use every power available to avoid stoppages and delays in production. He would know that peaceful cooperation is not merely desirable but necessary in the days to come. He would wish to retain the freedom and ability to fight for the interests of the workers if a fight became unavoidable; but he would gladly accept an obligation imposed on both employer and employee to use every possible means to settle controversies without any of the fighting that stops or delays the industrial machinery that is pouring out the necessities and comforts of life for all the workers of the nation.

Any friend of labor who understood the difficulties of creating and maintaining an efficient business organization, the myriad irritations and discords among co-workers that must be constantly overcome to keep up human cooperation, would never think of adding to the elements of strife and misunderstanding the commands of an unintelligible, unenforceable law forbidding "discrimination." Any well-informed friend of labor would know that "discrimination" is a two-faced creature. In one aspect it wears the mean, snarling scowl of a person prejudiced against human beings by classes, according to race, color or creed. In the other aspect "discrimination" wears the patient, tolerant smile of a person who seeks, by selecting harmonious associates and by rewarding merit and adaptability, to create efficient organizations wherein men by working together can do more for themselves than anyone working alone can do for himself.

To enact and enforce a law against "discrimination" in employment would be worse than a political blunder. It would go a long way in undermining the economic foundation of our free society.

The revolutionary program to discredit our democratic government and our free industries is easily understood: Foment discord wherever possible. Interfere with and hamper every effort at peaceful cooperation. Disorganize and delay production and distribution by any available means. Promote the enactment of more and more laws for more and more detailed regulation of industrial enterprises; and administer these laws so as to increase steadily the difficulties of management and the dissatisfaction of labor. Infiltrate all labor organizations and sources of publicity with extremists who will constantly emphasize the faults and weaknesses of a free industrial system. In the end the economic and political system must break down as the volume and variety of obstructions are increased. Then the time will be ripe—yes, rotten ripe—for change.

There are probably only a few of the well-advertised friends of labor who would willingly aid in this revolutionary plan. There are unhappily a few who are active agents of communism and they are constantly forcing well-meaning but weak labor politicians to support their strategies by impugning the loyalty to labor of anyone who is not ready to aid their plausible projects to prevent peaceful cooperation.

It is time for plain speaking by genuine friends of labor. It is time for some clear thinking by the wage-earners themselves. It is time to talk about the Labor Follies of 1945 in language which will be understood and to keep on talking regardless of abuse. It is a rotten show. It should be hissed off the stage. If the actors like it, the American people should demand a new cast. If the actors don't like it, and know that it is a rotten show, they should close the theatre and not open up again until they have written a new play that is fit for the American people to see and is worthy of their support.

June Cotton Consumption

The Census Bureau at Washington on July 16 issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles in the month of June.

In the month of June, 1945, cotton consumed amounted to 786,063 bales of lint and 117,992 bales of linters, as compared with 830,568 bales of lint and 128,946 bales of linters in May and 805,823 bales of lint and 121,708 bales of linters in June, 1944.

In the 11 months ending June 30 cotton consumption was 8,902,742 bales of lint and 1,366,660 bales of linters, which compares with 9,219,968 bales of lint and 1,231,312 bales of linters in the corresponding period a year ago.

There were 2,045,952 bales of lint and 289,455 bales of linters on hand in consuming establishments on June 30, 1945, which compares with 2,141,193 bales of lint and 322,560 bales of linters on May 31, 1945, and 1,986,576 bales of lint and 354,631 bales of linters on June 30, 1944.

On hand in public storage and at compresses on June 30, 1945, there were 9,195,258 bales of lint and 30,457 bales of linters, which compares with 10,132,723 bales of lint and 36,644 bales of linters on May 31, and 8,852,745 bales of lint and 66,519 bales of linters on June 30, 1944.

There were 22,188,330 cotton spindles active during June, which compares with 22,167,678 cotton spindles active during May, 1945, and with 22,379,602 active cotton spindles during June, 1944.

The International Bank

(Continued from page 299)

nor the International Bank are emergency institutions. Neither of them is designed to deal with the present emergency. Both of them commit the United States to long-range policies which will cost us billions of dollars and, with all the discussion that has taken place, those policies have not had any real consideration from the people of this country. Undoubtedly there is an emergency situation in the world. Many countries, headed by Great Britain, have reconversion and transitional problems which are almost insoluble without our help. England will have a three billion dollars adverse balance of trade during the next year, and insufficient assets with which to meet it. Other countries are correspondingly in trouble. I have always believed that in the post-war period we would have to extend reasonable credits to many countries to enable them to buy machinery and raw materials so that their economic machine may begin to operate. But I believe these loans should be made directly by our own Government, and it should be recognized that they may never be repaid. The total scope of such assistance, however, I believe can be held to five or six billion dollars during the next two or three years, provided that the problem of each country is carefully studied and money advanced only for essential purposes.

But the Bank and the Fund are permanent institutions, the Bank designed to encourage private investment abroad to secure permanent economic development, and the Fund to stabilize currencies. As will appear from later discussion, neither of them is really equipped to deal with the present emergency situation, and a bill has been introduced by the distinguished Senator from New York to authorize direct Government loans by our Export-Import Bank up to three and a half billion dollars. My suggestion is that we deal with these emergency situations directly, and in the meantime consider further the permanent policies provided in this bill. An international organization moves awkwardly and slowly, and is likely to be very inefficient in dealing with an emergency situation. As far as solving the immediate problems of Great Britain, of France, or of Czechoslovakia, the Bank would be just about as inefficient as UNRRA has been in solving their relief problems. Direct national action is required for that purpose, just as our Army has handled relief.

The International Bank

There has been a wide discussion of the technical features of the International Fund. I hope to discuss those next week, but today I wish to discuss the International Bank for Reconstruction and Development. This is the second of those institutions which was proposed by the Bretton Woods Conference. I do so in advance of the debate on the Bretton Woods bill because the Bank has received almost no public attention and because I think it involves a more important departure in American economic policy even than the International Monetary Fund.

The Bank appeared at first almost as an afterthought. It has not received one-tenth of the attention which has been given the Fund. I doubt if a single Senator has read the Articles of Agreement for the Bank. Yet this Agreement embarks the United States on a permanent policy of foreign lending and investment by Americans in huge sums, sponsored and to a large extent guaranteed by the Federal Government. The Bank is proposed, not as a relief organization, but as a permanent institution involving this Government in a permanent policy.

Foreign investment by American nationals is probably desirable in a reasonable amount. It is highly undesirable if undertaken in too great volume. But this plan goes much further, because in effect it involves our Government and other governments in a guarantee of private loans and investments abroad. Our Government does not guarantee private investments in the United States, and I believe it is dangerous and unwise to embark on a permanent policy of Government guarantee of private investments abroad.

Description of the Bank

The International Bank to be established is to have a capital of $10,000,000,000. The United Nations have already subscribed for $9,100,000,000, of which our share is $3,175,000,000, or approximately 35%. It is administered by a board of 12 executive directors, only one of whom is an American, although he has 35% of the voting power. Every nation is to put up 2% of its quota in gold and 18% in its own currency. The other 80% is subject to call to be paid in gold, dollars, or the currency needed.

The Bank may make direct loans, but that is not intended to be its principal business. The ordinary procedure will be as follows: A foreign nation or foreign corporation seeking a loan will come to the Bank and ask the Bank to guarantee such a loan. If the loan is to be made to a private foreign institution such as a public utility company or an automobile manufacturer, the government of that country will have to guarantee the loan also. When the guarantee is given, the country or its corporation may float that loan in any country where it wishes to borrow the money and the loan will carry the guarantee of the International Bank. It is fairly obvious that most of the loans sought will be in the United States, and we will, therefore, see a large financing operation with billions of dollars of these guaranteed securities widely advertised to American investors. While the United States Government is only responsible up to $3,175,000,000, the whole $9,100,000,000 of potential loans could be sold in the United States. The impression certainly will prevail that the United States Government is largely back of all these investments. Should there be a general default by the governments such as occurred in 1932, our Government might be morally obligated to make good the whole amount.

It is quite true that the United States has the right to veto any loan to be floated in dollars in the United States. This veto, however, is not reserved to Congress, so that we are in effect being asked to authorize the Executive Department to approve the sale of guaranteed foreign securities in the United States up to the total amount of $9,100,000,000.

In effect, therefore, the Bank is a tremendous plan, under the guise of international cooperation, to lend our people's and our Government's money abroad.

It is said that the money of other governments will also be used, and thereby reduce our burden. This might be true in a normal world. The arguments for the Bank will undoubtedly be stronger three years from now than they are today. But under present conditions the whole burden will fall on us. The Bank is only as good as the credit of the United States Government. There are not many among our people who realize the condition in which the world finds itself today. Few foreign nations are on a self-supporting basis. Few are able to pay their debts. Few currencies are of any value outside of the country of issue, unless we make them good. Any International Fund, therefore, is not really international. It looks to the United States for support, and for some years to come it is merely a camouflaged method of lending American money, and that of a few other solvent nations.

Permanent Foreign Lending on Scale Contemplated Is Wasteful and Dangerous

It has become fairly obvious that the policy of some Administration officials today contemplates a vast outpouring of American funds throughout the world, both for relief and rehabilitation and for permanent development. The best prepared statement of this policy is to be found in the sixth report of the House Special Committee on Post-War Economic Policy and Planning (the Colmer Committee) in which it is frankly advocated that we lend and invest abroad two or three billion dollars per year, and where it is asserted that lending of this magnitude would have lasting benefits, both to the United States and to the rest of the world. (See page 27.) This report was no doubt prepared in cooperation with the Treasury.

Many advocates of this policy point to the fact that we have maintained prosperity by lend-lease exports of a billion dollars a month, and that we must continue some such scale of exports to maintain employment even if we have to lend all the money to enable foreign nations to pay us.

The Bank is only one feature of the vast relief and lending program which is contemplated. Beginning with July 1, 1945, these may be tabulated as follows:

(Six ciphers omitted)

Further expenditures by UNRRA	$900
Relief expenditures by Army	1,000
Lend-lease through FEA	4,375
International Bank	9,100
International Fund	2,750
Export-Import Bank	3,500
Total	$21,625

The proposed lend-lease expenditures appear at page 454 of the Record and seem to include materials having only a remote relationship to the Japanese war and far more concerned with rehabilitation than with war. The Export-Import Bank figure is that contained in bills introduced by Senator Wagner and Mr. Spence.

In addition to the foregoing, there has been much discussion of a direct loan or gift to Great Britain amounting to from three to five billion dollars, and of some direct loan to Russia in the sum of six billion dollars.

The tremendous volume of this lending should certainly cause the Senate to hesitate and obtain full information before taking further action. We know our experience after the last World War. We know that the war debts, of which more than four billion dollars were incurred after the Armistice, were funded at very low rates of interest and then completely repudiated. We know that lending by private investors continued during the 20's at an average of less than a billion dollars a year, but that it became apparent by 1931 that even these debts could not be paid. It is said that many of them were improvidently incurred for non-productive purposes. This was true as to some, but the criticism applied to a small proportion of the total loans and investment abroad.

It must be clear that lending other than relief and rehabilitation emergency loans should only be done if it is lending likely to be repaid. Otherwise the time will come when a realization of its waste results in a complete cessation of lending, causing sudden unemployment at home and resentment abroad. A very wise statement is made in the second quarterly report of the Director of War Mobilization, James F. Byrnes, as of April 1, 1945. He says:

"However, foreign resources are not unlimited. We must be prepared to make loans to foreign countries which need American goods and cannot pay immediately, if there is a reasonable prospect of repayment. Loans made abroad likely to provide employment at home are unsound. They will produce international financial difficulties when the time comes for repayment."

It is obvious that the scale of foreign lending contemplated by Administration policy is wasteful and dangerous. I maintain that the Government itself should only interest itself in relief and rehabilitation loans sufficient to enable foreign countries to put their own economic machinery in working order. I maintain that a total of five or six billion dollars would be sufficient for this purpose if wisely directed and used. I maintain that beyond this the Government should permit private investment and lending abroad, but should refuse to guarantee it, either directly or indirectly. I suggest that such lending as should be made for relief and rehabilitation should be made through the Export-Import Bank, and should also be used to obtain such goodwill and concessions from foreign nations as may properly benefit this country.

Permanent Foreign Lending Has Little Relation to Permanent Peace

It has been frequently contended that Bretton Woods is an absolute essential of international cooperation as a supplement to the San Francisco Charter. I am strongly in favor of international cooperation in the political field, and I intend to support the Charter. No matter what its faults may be, the horrible effects of world war are so apparent that any international organization concerned with its prevention is entitled to our support; nor do we give up or contribute anything greater than any other nation except in proportion to our size. The political cooperation proposed is not a one-way street.

But the parallel between political and economic cooperation is utterly fallacious. Measures of economic cooperation should stand on their own feet and be judged on their own merits. It is not true that wars, or at any rate modern wars, have been brought about by economic causes. Germany could have made itself as prosperous as any nation in the world without one foot of additional territory. Japan could have obtained more by trading than it could ever obtain by war. It is true that here and there economic sore spots may exist creating dissatisfaction and disturbance, but they are not, and never have been as numerous or as likely to create war as political sore spots like Poland and the Balkans. Furthermore, they can be dealt with by intelligent trade arrangements and direct loans such as I have suggested. There are no economic sore spots as bad as China and India, and yet neither China nor India have attacked their neighbors.

Furthermore, whatever our idealists in the United States may think, economic arrangements are looked on by the other nations of the world as strictly business propositions. They are surprised and pleased at our willingness to give things away, but they gladly accept every advantage and give us as little as possible. A business deal to be a good deal must benefit both parties and, except for the immediate post-war period, I see no reason why we should make improvident loans or scatter our assets recklessly throughout the world. I see no reason why we should entrust our money to a board controlled by our debtors to be loaned or disposed of as they see fit, nor do I think this will contribute to the peace of the world. In fact, it teaches the world to expect from us a largesse which cannot and will not continue. When it is discontinued, we become the original Uncle Shylock and the indignation of the other nations is such that they feel themselves justified in failing to repay past loans.

It seems obvious that this is no time to deal permanently with any world economic problem. We should face the present emergency situation and help solve it with as little cost as possible to the United States. We should sit in on international economic boards and help them study the problems and listen to their recommendations; but we should certainly not hand out American money to boards on which we have a minority vote and which are controlled by the very nations that wish to obtain financial aid from us.

Is Foreign Investment a Wise Policy?

The policy behind the International Bank assumes that foreign lending and investment is so clearly to be desired that the Government should risk the taxpayers' money to promote it. But even apart from any Government guarantee, I think this assumption is open to question, particularly if the volume is too large.

In the first place, it has certain inherent risks which are not present in domestic investment. The project is more distant and more difficult to analyze. There is no legal way in which debts can be collected from a foreign country, particularly from the government of that country itself. If payments are suspended, the investor is helpless. Under the provisions of the Fund itself, if the dollar is declared a scarce currency under Article VII, debtor countries may refuse to allow their nationals to use dollars to service their loans. The old method of collecting debts by moving in Marines and seizing the Customs House has gone out of style and would be expressly forbidden by the San Francisco Charter. The San Francisco Charter itself noticeably fails to provide any means by which international obligations can be collected. The policy of this Government, in Mexico and elsewhere, has not been such that any American investor can hope that his claims abroad will even have vigorous normal support from his Government.

It is said that foreign investment will make for peace. I don't think that history shows anything of the kind. Ordinarily after an investment is obtained, the people of a country are likely to regard its owners as absentee landlords only concerned with draining away the assets of the country. Foreign investors are likely to be regarded as exploiters of natural resources and cheap labor. In the past they often have been such. Their activities are likely to build up hostility to the United States. This is even more true today with the growth of Socialist and Communist parties in many countries. Witness the agitation against American sugar investments even in Puerto Rico and Cuba.

Our own experience in foreign investment has not been very promising. According to the Department of Commerce, investments of $13,400,000,000 have shrunk to $9,800,000,000 by 1940. Omitting Canada, which is so closely related to us as to be economically part of the United States, the percentage of loss would be much higher. The table on page 298 of the hearings shows that of $4,000,000,000 of public foreign dollar bonds, a billion and a half is in default. No one has ever made a careful estimate of American losses on foreign loans and investments. There is no doubt that a considerable proportion has disappeared.

We are often told that England prospered on its foreign investments. But our position is very different from that of England. England has never been self-sufficient. It has had to import more than it could export. It was highly desirable that it have an income from investments abroad which could pay for such imports, and such investments were, therefore, a necessity, even if they involved capital losses. But in the case of England they did not involve losses. Most of the investments were made in British Dominions and territories under the protection of the British Army and Navy. Many natural resources were taken over at practically no cost and developed at a great profit. We cannot in any way duplicate the British experience under present world conditions, and could never have done so without establishing an economic imperialism contrary to our whole philosophy.

The general policy of lending huge sums abroad in the 20's was vigorously criticized by the very people who are now urging its resumption, this time at Government expense. It is rather interesting that Harry D. White, the most vigorous advocate of the Bank, wrote a book in 1932 with regard to the foreign investments of France. It is one of the authorities on that subject. After a thorough study, Mr. White concludes as follows:

"The French experience in the matter of capital exports leads to the conclusion that the orthodox attitude towards unrestricted capital exports is open to criticism; the assumption that capital exports benefit both the lending country and the world at large is not unassailable. Examination of the conditions under which French foreign investments were made has clearly shown that the French investor consistently underestimated the risk inherent in the type of foreign securities that France acquired from 1880 to 1913. Thus, although the rate of return on foreign investments was equal to that on domestic, the real yield was less since equal returns imply equal risk."

Mr. White quotes Mr. Keynes as follows:

"To lend vast sums abroad for long periods of time without any possibility of legal redress if things go wrong is a crazy construction; especially in return for a trifling extra dividend."

Mr. White also points out again following Mr. Keynes that:

"In the case of foreign loans, repudiation or failure leaves nothing to the lending country, whereas, in the case of domestic repudiation, the tangible instruments of production do remain in the lending country. The loss to the French people when a Brazilian railroad built with French capital repudiates its debt is greater than when a domestic railroad does so. In the latter case, the railroad remains in France, whereas, in the former case, it remains in Brazil."

In short, a policy of foreign investment, even by private capital, is open to serious question. I see no reason to forbid such investments, and if private investors really feel that they are making a beneficial investment, I believe the Government should encourage it and protect its citizens abroad as far as possible; but I doubt if foreign investment on a sound basis without guarantee will amount to more than one billion dollars a year.

I do object strenuously, however, to the Government going into the business of guaranteeing such investments. The Government does not guarantee investments at home. The FHA guaranteed mortgages are almost the only exception. It is said that little opposition has arisen to the Bank, and that the various bankers' associations have approved it. There are two reasons for this: From a technical banking standpoint it is organized on a much sounder basis than the Fund, and so their attention has been centered on the defects of the Fund. In the second place, it is almost a subsidy to the business of investment bankers, and will also undoubtedly increase the business to be done by the larger banks. The bankers are almost at the mercy of the Treasury today. It took courage to oppose any of the Treasury's plans. Naturally they sought a compromise and centered their whole opposition on the Fund, which offends every principle of sound banking.

The man on the street has paid no attention to the Bank at all. Consider for a moment how it will work out. If an Englishman wishes to start an automobile plant in England, he can sell his company's securities on the American market with the guarantee of the International Bank. A man who wishes to build an automobile plant in America cannot obtain any such guarantee. American investors are relieved from any risk in the development of foreign countries and given more incentive to develop those countries than to invest in America.

Obviously, this is an inflation of credit by direct Government aid. Behind it is the theory that more employment can be produced by spending Government money, this time to create foreign exports instead of public works at home. But foreign trade produced solely on credit is certainly not a sound form of economic development. Particularly, if we start on the grand scale now proposed, we will build up an export business which cannot possibly be permanent and which when suddenly checked may carry down our whole economy with it.

Under the Articles of Agreement of the Bank, the dollars that are borrowed do not even have to be spent in the United States, and we are prohibited from so requiring. A new plant in India, for instance, may borrow dollars, buy all its equipment in England, and thus, in effect, help England pay her blocked sterling balances. Most of the guaranteed loans will undoubtedly be floated in the United States, because our people have the savings to invest. The Bank thus becomes a device for draining our savings out of the United States for the benefit of the rest of the world.

Undoubtedly, American money can do the rest of the world a fair amount of good. I believe we should help in the present crisis, but I think we overestimate the value of American money and American aid to other nations. No people can make over another people. Every nation must solve its own problems, and whatever we do can only be of slight assistance to help it over its most severe barriers. A nation that comes to rely on gifts and loans from others is too likely to postpone the essential tough measures necessary for its own salvation.

I shall not speak in detail today regarding the International Monetary Fund. I do wish to point out, however, that in essence under present conditions, and for some years to come, it is just another instrument for transferring two and three-fourths billions of American dollars into the hands of foreigners. Its alleged purposes are impossible to carry out under present emergency conditions.

Attempts in the House to limit the Fund to its alleged purposes of temporary assistance for currency stabilization purposes only have been rejected by the Treasury, and so the Fund is little more than a loaning agency during the transition period. As such, it is even more unsound than the Bank, for every member nation is entitled to draw its share of the Fund regardless of its needs. The Fund looks entirely to governments for repayment and not to productive enterprise. However desirable its purpose may be, it is today only an addition to that profligate lending policy which I have been discussing.

I respectfully suggest, therefore, that the Senate consider carefully the implications of these policies before the bill is presented next week. Basically, the question is whether we are willing to commit this Government to a permanent policy of Government guaranteed foreign investment and widespread loans to foreign governments. I cannot imagine that the American people will really wish to embark at Government expense on a vast policy of scattering our assets around a world from which they may never be recovered. I cannot imagine they wish to embark on a policy which was repudiated by every intelligent economist in the 20's. I cannot imagine they will approve the method proposed by which our assets are put in a pool and dispensed by a board controlled by the debtors that are securing our dollars.

Again I suggest that we postpone consideration of this elaborate plan, designed to meet the conditions of a stable world, and authorize the Executive to deal directly with the emergency conditions which we now face. That is an American job and a Government job, and only the American Government can undertake it. If we postpone this bill, I suggest we increase at once the direct lending powers of the Export-Import Bank.

Silver and Inflation

(Continued from first page)

which had been purchased with public funds and was being held idle at West Point, Truman, for political reasons connected with the Senate "Silver Bloc," buried the report. After doing so, Mr. Truman told the writer in effect that the foregoing was his reason.

If this step is now taken it will be one more evidence of the inexorable course of inflation. Another such evidence is the Bretton Woods legislation (HR3314), which will utilize the 1934 gold devaluation "profit" to pay our subscription to the International Monetary Fund. When Senator Taft asked Senator Murdock during the Bretton Woods debate whether the Treasury's decision to issue certificates against the surplus silver was the result of an understanding between Secretary Morgenthau and the "Silver Bloc," Murdock merely answered, that "the Secretary had begun to see the light."

If the report that the Treasury now agrees to the issuance of silver certificates against some 300 million ounces of idle silver is true, it may be surmised that this attitude is connected with the replacement of Mr. Morgenthau by Judge Vinson as Secretary of the Treasury. As soon as Morgenthau's letter of resignation was disclosed during a recent White House press conference, silver lobbyists and some of their supporters on Capitol Hill privately commented that this would be a change helpful to the cause of silver in Congressional politics. The Congressional Silver Bloc never regarded Mr. Morgenthau as "a friend at court," although, on the other hand, opponents of silver, such as this writer, found Secretary Morgenthau far too amenable to Silver Bloc pressure. This was certainly true during the early years of the New Deal and of the present silver program, when between the Summer of 1934 and the Spring of 1935, the Treasury Department's silver buying was conducted on a scale and in a manner calculated to push the world market price of the metal up from about 35 cents an ounce to a peak of 81 cents.

It was only when this policy suddenly drove China off the silver standard, with disastrous deflationary effects in that country, that Mr. Morgenthau, alarmed by the official protests of the Chinese Government to the American Government, saw his mistake and somewhat eased off the silver purchase program. Since then, the Silver Bloc in Congress has been utterly dissatisfied with Morgenthau's silver policies, while in more recent years Mr. Morgenthau has frankly expressed the hope that Congress would end the silver program. However, unlike Thomas a-Becket, the silver program was not killed off. Instead, that subsidy to a few mining interests is proving a virulent parasite on our monetary system.

While Morgenthau's departure may have been the signal for the announcement of Senator Murdock discussed above, the report may be related as well to the Bretton Woods program. Silver interests were active in the lobbies of the Mount Washington Hotel during last year's Conference, and conferred with Latin American delegates in their conference headquarters. While they were unsuccessful in getting the Conference to make any special place for silver in the fund plan, they did obtain what American delegates described as a "gesture for silver." In acceding to this gesture, the American delegation was a unit; and Judge Vinson, the new Secretary of the Treasury, was a member of that delegation.

Since it became apparent fairly that the Silver Bloc could not get the Senate Banking and Currency Committee to insert a silver provision in the Bretton Woods Bill, the Silver Senators may be using their "disappointment" as a bargaining weapon to pry from the Truman Administration some more substantial "gesture."

"Coining the seigniorage" itself puts no money in the pockets of silver producers. The silver represented by the seigniorage already has been paid for at inflated prices. But the coinage policy could be used by Silver Senators to their own political advantage at home. It could be described by them as "another recognition of silver."

Inflationwise, the move of itself would not seem grave in these days when billions of red ink money are being spent. Coining the existing silver seigniorage will mean, for example, only a fraction of the inflation involved in the spending, under the Bretton Woods bill, of one $1.8 billion of the 1934 devaluation profits. It is possible that the Treasury Department, now accustomed to billions, has grown callous to mere hundreds of millions. Or perhaps Treasury officials were willing to see these silver certificates issued, if thereby a few more Senate votes for Bretton Woods could be piled up.

One thing is clear: The process of currency inflation moves very consistently down a one way street.

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 19

FLORIDA FOODS, INC., on June 30 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.

Details—See issue of July 12.

Underwriters—Principal underwriters are Paine, Webber, Jackson & Curtis and First Boston Corp.

FERRO ENAMEL CORP. on June 30 filed a registration statement for 58,264 shares of common stock, par $1.

Details—See issue of July 12.

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.

Underwriters—Maynard H. Murch & Co. heads the underwriting group.

ADMIRAL CORP. on June 30 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.

Details—See issue of July 12.

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

Underwriters—Dempsey & Co., Chicago, heads the underwriting group.

ACF-BRILL MOTORS CO. on June 30 filed a registration statement for 190,464½ warrants. The warrants are issued and outstanding and are being sold by American Car & Foundry Investment Corp.

Details—See issue of July 12.

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.

Underwriters—None mentioned.

MONONGAHELA POWER CO. on June 30 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.

Details—See issue of July 12.

Offering—The securities will be offered for sale at competitive bidding. The offering prices to the public will be filed by amendment.

Underwriters—The names of underwriters will be filed by amendment.

STANDARD AIRCRAFT PRODUCTS, INC. on June 30 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.

Details—See issue of July 12.

Offering—To be filed by amendment.

Underwriters—To be named by amendment.

MONDAY, JULY 23

STANDARD OIL CO. OF OHIO on July 3 filed a registration statement for 200,000 shares of cumulative preferred stock, series A, $100 par. The dividend rate will be filed by amendment.

Details—See issue of July 12.

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

Underwriting—F. S. Moseley & Co. heads the underwriting group, with the names of others to be filed by amendment.

THURSDAY, JULY 26

KINGS COUNTY LIGHTING CO. on July 6 filed a registration statement for $4,200,000 first mortgage bonds due 1975. The interest rate will be filed by amendment.

Details—See issue of July 12.

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

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.

TAPPAN STOVE CO. on July 6 filed a registration statement for 25,250 shares of capital stock, par $5 per share.

Details—See issue of July 12.

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.

Underwriting—McDonald & Co., Cleveland, heads the underwriting group.

SATURDAY, JULY 28

EVERSHARP, INC., has filed a registration statement for 32,500 shares of common stock, par $1. All of the shares are issued and outstanding and are being sold for the account of certain stockholders.

Address—1800 Roscoe Street, Chicago, Ill.

Business—Manufacture of fountain pens, mechanical pencils, etc.

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

Proceeds—The proceeds will go to Martin L. Straus, 2nd, and the Advance Corp., the selling stockholders. Substantially all of the stock of the Advance Corp. is owned beneficially by Mr. Straus, and the corporation and Mr. Straus presently own beneficially 101,310 shares, or approximately 30% of the common stock of Eversharp.

Underwriters—Lehman Brothers heads the underwriting group.

Registration Statement No. 2-5825. Form S-1. (7-9-45).

SOUTH COAST CORP. has filed a registration statement for $2,500,000 first (closed) mortgage 4¼% sinking fund bonds, due June 30, 1960.

Address—Houma, Louisiana.

Business—Sugar and sugar-cane industry.

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

Proceeds—Part of the proceeds will be used to retire at 104 the $1,437,000 first mortgage 5% sinking fund bonds, due Dec. 31, 1955. In addition, the company contemplates spending $750,000, when and as machinery and materials become available, for expansion and improvement of its refinery and for certain other additions and improvements to its properties. The balance will be added to working capital.

Underwriters—Paul H. Davis & Co. will head the underwriting group.

Registration Statement No. 2-5826. Form S-1. (7-9-45).

CROWN WESTERN INVESTMENTS, INC., has filed a registration statement for 250,000 common shares.

Address—1003 Kirby Street, Dallas, Texas.

Business—Investment company.

Offering—At market.

Proceeds—For investment.

Distributor—Charles L. Moruzzi is named distributor.

Registration Statement No. 2-5827. Form S-5. (7-9-45).

SUNDAY, JULY 29

BROOKLYN BOROUGH GAS CO. has filed a registration statement for $3,640,000 first mortgage bonds due Aug. 1, 1970. The interest rate will be filed by amendment.

Address—Mermaid Avenue and West 17th Street, Coney Island, Brooklyn, N. Y.

Business—Utility company.

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

Proceeds—The net proceeds, with other funds of the company, will be used for the redemption of $3,640,000 first mortgage bonds, 4% series due 1965, now outstanding. The old bonds are redeemable at 104.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of underwriters filed by amendment.

Registration Statement No. 2-5828. Form S-1. (7-10-45).

MONDAY, JULY 30

BROOKLYN BOROUGH GAS CO. has filed a registration statement for 15,000 shares cumulative preferred stock. The stock will be sold at competitive bidding and the dividend rate filed by amendment.

Address—Mermaid Avenue and West 17th Street, Coney Island, Brooklyn, N. Y.

Business—Utility company.

Offering—Price to public to be filed by amendment.

Proceeds—Net proceeds, together with other funds, will be applied to redemption at $52.50 a share of presently outstanding 30,000 shares of 6% cumulative participating preferred.

Underwriters—To be filed by amendment.

Registration Statement No. 2-5829. Form S-1. (7-11-45).

ROBERTS TOWING COMPANY has filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Address—429 Stahlman Building, Nashville, Tenn.

Business—Transportation of bulk commodities on the inland rivers.

Offering—The price to the public of the different series will be filed by amendment. The average price to the public is given as 100.47.

Proceeds—The proceeds will be applied toward the payment of two towboats and six barges, and for surplus supplies and equipment on the boats.

Underwriters—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.

Registration Statement No. 2-5830. Form S-1. (7-11-45).

TUESDAY, JULY 31

SEABOARD FINANCE CO. has filed a registration statement for $3,000,000 5% 10-year sinking fund debentures due Aug. 1, 1955, and 70,000 shares cumulative preferred stock, series A, with common stock purchase warrants.

Address—1000 Southern Building, Washington, D. C.

Business—Company and its subsidiaries are engaged in the personal finance business.

Offering—The price to the public is 100 for the debentures and $30 per share for the preferred.

Proceeds—From the issue and sale of $3,000,000 of debentures and 70,000 shares of preferred to the underwriters, of 50,000 shares of its common to selected employees and of 27,978 shares of common to holders of outstanding common stock purchase warrants of Seaboard Finance Corp. (Eastern company), to be sold to such holders for cash, the parent company will receive an aggregate of $5,330,000. Proceeds will be used to retire two classes of preferred stock of the Eastern company, now publicly held, and to reduce secured bank loans by approximately $3,874,571.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co., and Johnson, Lemon & Co.

Registration Statement No. 2-5831. Form S-1. (7-12-45).

SOLAR AIRCRAFT CO. has filed a registration statement for 50,000 shares of common stock, par $1.

Address—2200 Pacific Highway, San Diego, Cal.

Business—Exhaust manifolds and other heat-resistant parts of the exhaust systems for airplanes, etc.

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

Proceeds—For investment, expansion, improvements, etc.

Underwriters—Reynolds & Co. is named principal underwriter.

Registration Statement No. 2-5832. Form S-1. (7-12-45).

SATURDAY, AUG. 4

SUPERVISED SHARES, INC., has filed a registration statement for 500,000 shares of common stock.

Address—206 Empire Building, Des Moines, Iowa.

Business—Management investment company.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5833. Form S-5. (7-16-45).

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.

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 Asked—Bids for the purchase of the bonds will be received up to 11 a.m. (EWT), July 23, at company's office, 195 Broadway, New York City.

ARKANSAS-MISSOURI POWER CORP. on Dec. 4 filed a registration statement for $2,000,000 first mortgage bonds, series A, 3¾%, due Dec. 1, 1974.

Details—See issue of Dec. 7, 1944.

Offering—The bonds will be offered for sale at competitive bidding.

Bids Asked—Proposals for the purchase of the bonds will be received at office of Middle West Service Co., 20 N. Wacker Drive, Chicago 6, Ill., up to 11:30 a.m. (CWT), July 23.

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 $51 per share.

Underwriters—G. H. Walker & Co. is named principal underwriter.

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.

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.

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.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities.

CUP MACHINE SERVICE CORP. on June 11 filed a registration statement for 8,000 shares of preferred stock ($50 par) and 75,000 shares of common stock (10 cents par).

Details—See issue of June 21.

Offering—The preferred stock will be sold at $50 and the common stock at 10 cents per share.

Underwriting—None.

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.

GENERAL PHOENIX CORP. on June 29 filed a registration statement for $1,000,000 12-year 4% convertible subordinated debentures due July 17, 1957.

Details—See issue of July 12.

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

Underwriters—Group is headed by Paine, Webber, Jackson & Curtis.

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 were 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 (7,840) will be purchased by the underwriters.

Underwriters—Union Securities Corp., Dillon, Read & Co., Inc., Harris, Hall & Co., Inc., Morgan Stanley & Co. and Reynolds & Co.

(Continued on next page)

DIVIDEND NOTICES

THE FIRST BOSTON CORPORATION

Boston, Mass., July 12, 1945

At a regular meeting of the Board of Directors of **The First Boston Corporation** held on July 12, 1945, a dividend of $1.50 per share was declared on the capital stock of the Corporation payable July 31, 1945 to stockholders of record as of the close of business on July 21, 1945.

EDWARD J. COSTELLO, *Treasurer*

CHICAGO GREAT WESTERN RAILWAY COMPANY CORN BELT ROUTE

CHICAGO GREAT WESTERN RAILWAY COMPANY

Preferred Stock Dividend

A dividend of 62½c a share has been declared on the 5% Preferred Stock of this Corporation, payable on September 28, 1945, to stockholders of record at the close of business September 14, 1945. Checks will be mailed.

B. F. PARSONS, Secretary

Chicago, Illinois, July 10, 1945

McGraw Electric Company

Dividend Notice

The Directors of McGraw Electric Company have declared a quarterly dividend of 25c per share, payable August 1, 1945, to holders of common stock, of $1 par value per share, of record July 20th.

Judson Large, *Secretary-Treasurer.*

ALLIS-CHALMERS MFG. CO.

PREFERRED DIVIDEND NO. 6

A dividend of one dollar ($1.00) per share on the preferred stock, $100.00 par value, of this Company, has been declared, payable September 5, 1945, to stockholders of record at the close of business August 17, 1945. Transfer books will not be closed. Checks will be mailed.

W. E. HAWKINSON, Secretary-Treasurer.

July 11, 1945.

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on August 1, 1945, to stockholders of record on July 16, 1945. The transfer books will not close.

THOS. A. CLARK, TREASURER

June 28, 1945

LIQUIDATION NOTICE

The Farmers & Merchants National Bank of Eureka, located at Eureka in the State of Nevada, is closing its affairs. All note holders and other creditors of the association are therefore hereby notified to present the notes and other claims for payment.

Dated: June 16, 1945.

C. L. TOBIN, Cashier.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

The offering price of the stock is $11 per share.

Underwriters—Harriman Ripley & Co., Inc., and Drexel & Co., head the underwriting group.

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 4½% cumul. preferred stock ($100 par) and 200,000 shares of common ($5 par). 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.

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.

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.

WESTERN CONDENSING CO. on June 29 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).

Details—See issue of July 12.

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

Underwriters—Dean Witter & Co.

Municipal News & Notes

Representative Lyle Boren's recent attack on the circumstances surrounding the purchase by the Omaha Electric Committee, Inc., of the properties of the Nebraska Power Company, and his companion charges of improper activities incident to municipal acquisition of private utilities generally, constitute a situation of interest to the municipal bond fraternity. As to the merit, or lack thereof, of the Oklahoma Congressman's accusations, this will be determined by the House Committee which is committed to a complete investigation of Mr. Boren's contentions.

One aspect of the matter that necessarily must concern those engaged in the purchase and distribution of local government securities concerns, it would seem, the accelerated trend toward municipal acquisition of privately-owned facilities of every description. This statement, and others to follow, incidentally, are not intended as an argument either for or against the principle involved.

It is quite possible, nevertheless, that the growing tendency of local governments to engage in all manner of enterprise contains a possible threat to the future well-being of the municipal debt structure, not to mention the economic health of municipal government generally.

One of the reasons for this belief stems from the conviction that there should necessarily be a definite line of demarcation between the functions of government and private industry. That this "line" is being consistently diluted in the favor of government, whether it be Federal, State or local, is a matter of record. Actually, under present day thinking, there is an ever growing belief in the theory that nothing short of vast benefits to the citizenry can be derived from public absorption of fields heretofore considered the exclusive domain of private industry.

This philosophy, it would appear, has been distorted beyond reason and, unless corrected, could conceivably occasion serious difficulties to municipal government and public credit.

A point too infrequently lost sight of in considering the desirability of public ventures in the field of business, whatever the project, is the natural economic hazards associated with such ventures. Under the stimulus of wartime conditions, of course, there would appear to be compelling reasons for a municipality to acquire for itself properties previously held under private ownership. The record of earnings, etc., coupled with unusually attractive conditions for the marketing of the necessary bonds, unquestionably represent a tempting combination of factors.

However, it would obviously be a serious error to attempt to project present attractive conditions too far into the future. This is particularly important insofar as concerns the question, for example, of servicing the large amount of indebtedness usually required in consummating these transactions. Nor is it sufficient answer to say that the municipal unit per se is "in the clear," in those circumstances whereby the debt thus created is exclusively the responsibility of the issuing "authority."

The fact is that in the event of serious difficulty experienced by the agency established to carry out the functions of municipal ownership, the municipal government itself will very likely also feel the impact of such a contingency. It should not be very difficult, for example, to envisage the possible injury to local governments under such conditions.

For one thing, there would be an abrupt halt to the 'windfalls" previously accruing to the local treasury by virtue of the excess of income over needs for operating costs, maintenance, and debt service. Deprived of these monetary benefits, the taxing unit would perforce be obliged, in the absence of economy, to make up the "deficiency," and, as experience demonstrates, the first choice would be real property.

It is an established fact, however, that realty, even now, is shouldering an excessive share of the cost of local government. Furthermore, should the adverse economic conditions referred to materialize, the chances are that its incidence will be general in character, with the result that real property would be even less able to discharge existing burdens, rather than assume a further increase. And this would be no less true of various other avenues of tax revenues.

Under such conditions, there is logical reason to believe that the security of the debts of the taxing unit itself could ultimately be equally imperilled, if not actually damaged. And the consequences of such an eventuality will be readily comprehended by those whose memories go back to the depression 30's, when virtually the entire field of municipal credit was demoralized and undermined as a result of defaults by creditors which, numerically, represented but a small percentage of the grand total of local governments.

In short, the need is for both municipal governments and the municipal bond fraternity "to make haste slowly" where the question of acquiring privately-owned projects by public agencies is concerned. The excellent record achieved by facilities now under public ownership must not be endangered by careless and haphazard extension of the principle involved.

Recent Awards

A syndicate headed by Halsey, Stuart & Co., and Lehman Bros., jointly, was the successful bidder for the $16,045,000 traffic tunnel retirement bonds offered yesterday by the City of Boston, Mass., paying a price of 101.209 for 1¾s. This compares with 100.909 for 1¾s, which was the only other offer made for the loan and was entered on behalf of an account managed by the First Boston Corp.

The issue is due serially from 1951 to 1980 inclusive, with bonds due Aug. 1, 1966 and thereafter being subject to optional retirement beginning Aug. 1, 1965.

Purpose of the financing was to provide the city with funds needed to retire an equal amount of outstanding tunnel bonds. These latter obligations, incidentally, are not callable until 1950 at the earliest and the city intends to invest proceeds of the refunding issue in United States Government bonds having maturity dates similar to the callable dates on the outstanding loan.

The companion issue of $1,000,-000 construction bonds, maturing from 1946 to 1955 inclusive was sold by the city to the National Bronx Bank of New York City, on a bid of 100.403 for 1s. Second high bid of 100.88 for 1¼s was made by the Halsey Stuart syndicate.

Almost co-incident with notice of the city's intention to effect the financing completed yesterday, was the disclosure of a projected investigation by the Massachusetts legislature of Boston's financial structure. This development, it was said, in no wise figured in the bids received at yesterday's sale, as the bond houses had previously determined, on the basis of an exhaustive study of the city's finances, that the statements made in support of the request for the legislative investigation were completely unfounded.

Another substantial award effected on Wednesday consisted of the sale of $2,300,000 Houston, Texas, bonds, to a syndicate headed by Phelps, Fenn & Co., New York. The group paid a price of 100.09 for a combination of $2,200,000 1¼s, due from 1946 to 1965 inclusive, and $100,000 1s, maturing from 1946 to 1955.

Bretton Woods Debated in Senate

Senator Wagner Calls for Its Adoption. Taft Again Asks Postponement and Queries Regarding Post-War Lend-Lease to Great Britain and Russia. Wheeler Calls Attention to Depreciated Currency of European Countries. Taft Wins Point That International Fund Loans May Be Used to Remedy Internal "Depressions" as Well as for Currency Stabilization.

On Monday, July 16, the Senate began the debate on the Bretton Woods bill, which was reported favorably by the Committee on Banking and Currency by a vote of 10 to 4. The opposition was headed by Senator Robert A. Taft of Ohio, who was joined by Senators Eugene D. Millikin of Colorado, Hugh Butler of Nebraska, and John Thomas of Idaho, all Republicans.

Senator Robert F. Wagner (D. New York), the Chairman of the Committee, opened the debate in an address in which he stressed the need of international co-operation in the stabilization of exchange rates, pointed to the pre-war failures along these lines as giving evidence that the matter cannot be left to one nation alone. He also pleaded for the passage of the bill on the ground that it would "lay a firm foundation for peace." Senator Taft, who had already asked the Senate for a delay in the consideration of the bill until international economic conditions were more stable, asked Senator Wagner whether it was true that after the expansion of the Export-Import Bank, Great Britain was to receive a billion dollar loan from this institution. He also asked whether the late President Roosevelt had promised Mr. Churchill at the Quebec Conference that Great Britain would receive a $3 billion post-war loan from this country. Senator Wagner answered both questions in the negative.

When the question of the value of foreign currencies was brought up, several Senators, including Senator Wheeler, a Democrat opposed to the bill, exhibited several examples of foreign paper money which, although in large denominations, were practically "worthless."

After Senator Wagner concluded his remarks, Senator Taft asked Senator Abe Murdock, (D. Utah), whether the recent action of the Treasury in deciding to issue silver certificates up to the full monetary silver value was not the result of a deal between the "Silver Bloc" and Secretary Morgenthau. Senator Murdock replied by merely saying that the "Secretary was beginning to see the light." There was also considerable criticism of the Treasury's propaganda campaign by opponents of the bill.

The second day of the debate was marked by bitter queries and retorts between the Republican Sen. Charles T. Tobey (N. H.), who was a delegate to the Bretton Woods Conference and Senator Taft, the leader of the Republican opposition. Senator Tobey argued that the bill was "a pattern of peace" and would promote the work of the Economic and Social Council of the proposed United Nations Organization. When questioned by Senator Taft regarding the statement made in a magazine article by Edward Brown, the Chicago banker who was a delegate at Bretton Woods, that Russia did not need the International Fund's assistance, because it did not use its currency in external trade, and therefore would borrow from the Fund only for capital and reconstruction purposes, Senator Tobey replied that he did not agree with this, and that Russia, like other nations, would be subject to the needs of temporary loans since it could also have crop failures and business depressions.

Senator Tobey also defended the good faith of Great Britain in connection with the Bretton Woods set up, stating that she would in time remove the exchange restrictions that now exist.

During the entire debate Senator Taft was almost continuously on his feet and he scored several points by getting the admissions that he wanted from his opponents. When, in answer to Taft's inquiry regarding the meaning of the word "cyclical disturbances" (one of the purposes for which the Fund was limited in making loans by the House amendment to the bill), Senator Wagner stated that it referred to business depressions. To this Senator Taft retorted, "Then it seems to me obvious that this bill is a device not for currency stabilization, but for nine-year loans to any country that finds itself in currency trouble."

Despite the efforts of Senator Taft to have action on the Bill postponed, the Senate on the third day of debate (July 18) rejected his amendment to this effect by a vote of 52 to 31.

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

Manufacturers Trust Company—memo on appreciation possibilities—Huff, Geyer & Hecht, 67 Wall Street, New York 5, 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.

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

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"Rock Island"—study of improved reorganization profit potentialities—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

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