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The COMMERCIAL and FINANCIAL CHRONICLE

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Volume 162 Number 4408

New York, N. Y., Thursday, August 2, 1945

Price 60 Cents a Copy

Ford Predicts Higher Living Standards

Auto Magnate, on 82nd Birthday, However, Cautions That Employment Hinges on Right of Private Industry to Go Forward Unhindered.

DEARBORN, MICH. — Henry Ford, observing his 82nd birthday, Monday, July 30, predicted a "future of unequalled prosperity."

Mr. Ford's statement was issued by him from his home in Dearborn where he observed his birthday quietly with Mrs. Ford.



Henry Ford

"The nation and the world are on the threshold of a prosperity and standard of living that never before was considered possible," Mr. Ford said.

"This nation now has its greatest chance to forge ahead."

"There are problems — human, economic and political—that must be solved."

"Employment hinges on the right of private industry to go forward unhindered. There must be more and more industry; more

(Continued on page 526)

"Full Employment" and Freedom in America

By DR. VIRGIL JORDAN*

President of the National Industrial Conference Board

Dr. Jordan Analyzes the Implications of "Full Employment" as Embodied in the Full Employment Bill and Social Security Philosophy and Concludes It Will Mean the Abandonment of Constitutional Restrictions on Government and Lead to Eventual Serfdom of the Individual. Holds That If Government Guarantees An Income It Must Control the Use of This Income, and in Addition Must Determine What Each Person Must Produce and How He Is to Be Employed.

By this time today in England, the British people will have added up the votes that will determine whether they prefer to take the road

toward the Russian form of socialism under Mr. Atlee and his Labor party program of government ownership of industry, or continue under Winston Churchill to drift down the road toward the Nazi form of socialism which developed in England, as everywhere else, during the war, and is embodied in the post-war full-employment program of Sir William Beveridge, to which the Liberal Party and a large part of the Conservative Party are more or less fully committed.

It will not make much difference for England in the end, for as I shall show, the terminus of either road is essentially the same;

*An address by Dr. Jordan before the Rotary Club of New York, Hotel Commodore, New York City, July 26, 1945.

(Continued on page 536)



Dr. Virgil Jordan

Dangers of War-Time Fiscal Policy

By M. H. HUNTER

Head, Department of Economics, University of Illinois

Contending That the War Is Financed Too Largely by Borrowing, Professor Hunter Refutes Treasury's Claim That the Borrowing Is Anti-Inflationary and Creates Prosperity. Says Evils of Excessive Borrowing Have Been Deliberately Ignored. Attacks Administration's Theory That a Debt of Any Magnitude Could Be Supported, if "We Owe It to Ourselves" and Asserts Policy of Low Interest Throttles Private Industries and Leads to Government Ownership.

Our Federal Government continues to be engaged in the most costly enterprise of all time. Such structures as General Motors and



Dr. M. H. Hunter

A. T. and T. have seemed giant business enterprises; but their capital structure and operating costs are mere pigmies in comparison with similar costs of the federal government in prosecuting World War II. True, wars are always costly; but our total cost of all wars in which we have engaged, beginning with the Revolution through World War I, was less than \$53,000,000,000. Why, this is less than the federal deficit for the fiscal year 1943!

The peak of the annual war costs has probably been passed. The costs of conversion from peace to war industry have large-

(Continued on page 533)

Reserve Bank Official Amplifies Further Dealer Margin Rules

Calls Attention to Published List of Stocks Registered on Exchanges. Unlisted Stocks Not Affected Unless Loan Is For Purpose of Purchasing or Carrying a Listed Stock.

Editor, Commercial and Financial Chronicle:

Your publication in the July 26, 1945, issue of "The Commercial and Financial Chronicle," of my letter to you of July 23, commenting

upon Dr. Sakolski's article entitled "Margin for Error" and discussing Regulation U of the Board of Governors of the Federal Reserve System, should be helpful in clearing up misunderstandings or uncertainties in the minds of readers and the interested public regarding the applicability of Regulation U to loans by banks to dealers in securities.

In Dr. Sakolski's letter to you of July 24th, printed on page 410 of the July 26th issue of the "Chronicle," he refers to two problems in connection with loans by banks to dealers. In the interest of clearing up other possible misunderstandings or uncertainties regarding the regulation, the following comments may be helpful:

First, Dr. Sakolski refers to the

practical difficulty of ascertaining whether or not a particular stock is registered (listed) on a national securities exchange, and he calls attention to the fact that some stocks may be listed only on a regional securities exchange and that even though a stock may be listed on an exchange transactions on the exchange involving the stock may be infrequent. In order to facilitate compliance with the provisions of Regulation U, the Board of Governors has provided in Section 3(c) of the regulation that "in determining whether or not a security is a 'stock registered on a national securities exchange,' a bank may rely upon any reasonably current record of stocks so registered that is published or specified in a pub-

(Continued on page 525)

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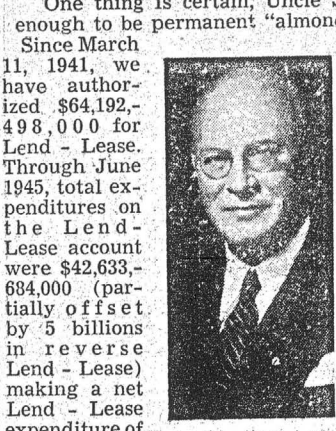
Causes of the Bull Market
 By IVAN WRIGHT
 Professor of Economics, Brooklyn College
 Dr. Wright ascribes the Bull Market to (1) Increased National Income and Savings Due to the Heavy War Output; (2) Money and Credit Inflation; (3) the Fears of Inflation Leading to the Desire to Exchange Cheap Money for Future Claims to Productive Resources; and (4) the Policy of Low Interest Rates Which Stimulates the Purchase of Inferior Grade Securities Offering Higher Income Yields. Looks for a Continuous Shortage of Goods and a Large Demand for Capital in Post-War Period, and Says Reorganization of Solvent Utilities Is Fanning the Speculative Fever.
 Since April, 1942, a Bull Market has been in progress in stocks, bonds, commodities and real estate. The economic forces feeding the



Dr. Ivan Wright

revaluation process and pushing prices up have been obscured by the great destruction of wealth going on at the same time as the result of the necessary war activities. This war has cost several hundreds of billions of dollars. In the United States alone the public debt has been increased more than two hundred billion dollars since the war began. Most of this has been or will be destroyed wealth when the war is over. Many billions of dollars of value will be salvaged but it is probably safe to say that 75% or more of the wealth spent on war will be consumed in the war or lose a large part of its value with the end of the war. In addition to the increase of the national debt there must be added also the income from taxes which has been spent for war purposes. These money expenditures are only part of the costs of the war. The loss of the services of millions of able-bodied men during the war; the permanent loss of more than a million men who have been killed or crippled; the disorganization of civilian industry and countless other liabilities will have to be added. On the asset side we have learned a great deal about production which may be adopted to peacetime uses but the net result up to the present time would seem to be a destruction of wealth aggregating four or five hundred billions of dollars to the United States. (The human losses cannot be valued in money.) Simultaneously with this vast destruction (Continued on page 523)

The Sterling Bloc Pool And Foreign Trade
 By HON. EMANUEL CELLER*
 Congressman from the New York 15th Congressional District
 Asserting It Is Time to Consider the Cost of Lend-Lease and in Extending Aid to Allies to Look to Our Own Interests, Congressman Celler Attacks the British Sterling Area Dollar Pool as "Sticking a Cinder in the Eye of American Traders." Maintains That the Operation of the Pool Has Prevented Nations in the Sterling Area From Purchasing Needed American Goods and Cites the Cases of India and South Africa. Says the Continuation of the Sterling Area Dollar Pool Is Contrary to Principles Laid Down at Bretton Woods and Urges Protests by American Exporters.
 One thing is certain, Uncle Sam is not big enough or wealthy enough to be permanent "almoner to the world."
 Since March 11, 1941, we have authorized \$64,192,498,000 for Lend-Lease. Through June 1945, total expenditures on the Lend-Lease account were \$42,633,684,000 (partially offset by 5 billions in reverse Lend-Lease) making a net Lend-Lease expenditure of over 37 billions. Roughly, this still leaves \$21,500,000,000 in Lend-Lease funds available for the remaining year of operations.
 Plans call for making ready in addition \$1,300,000,000 to the
 *An address by Congressman Celler before the International Trade Section of the New York Board of Trade, New York City, July 27, 1945.



Emanuel Celler

United Nations Relief and Rehabilitation Administration. We are pledged to pay \$2,750,000,000 into the Bretton Woods International Monetary Fund, i. e. 31% of the total to be contributed by 44 nations, which will be a capital of \$8,800,000,000. We are pledged to contribute to the International Bank for Reconstruction and Development 34.8% of its capital of \$9,100,000,000 or \$3,175,000,000. Our stake in the Bretton Woods monetary set-up will thus be almost 6 billion dollars.
 Recently Congress increased the lending power of the Export-Import Bank from \$700,000,000 to \$3,500,000,000. Armed with Congressional authority, the President will be in a position, through the Export-Import Bank to offer reconstruction loans to Russia, France, Belgium, Holland and England, as post-war assurance that the U. S. is prepared to launch a program of world co-operation. This aid will give the President a strong leverage in influencing political settlements. It also means that as Lend-Lease aid (Continued on page 538)

Cohu & Torrey Open Tampa Branch with O. W. Kuhn as Mgr.
 Cohu & Torrey, members of New York Stock Exchange, announce the opening of a branch office in Tampa, Florida, in the Wallace S. Building, on Aug. 1st. This new office will be under the direction of O. W. Kuhn, who has been engaged in the investment business in Tampa for the last twenty years. Mr. Kuhn was formerly president of Kuhn, Morgan & Co., Inc., and prior thereto was manager of the bond department of the First National Bank of Tampa.

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Herbert D. Seibert,
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Thursday, August 2, 1945

Published twice a week every Thursday
(general news and advertising issue) and every Monday

(complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.)

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscriptions in United States and Possessions, \$26.00 per year; in Dominion of Canada, \$27.50 per year; South and Central America, Spain, Mexico and Cuba, \$29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, \$31.00 per year.

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A Banker Appraises the South

By ROBERT M. HANES*
President of Reserve City Bankers Association,
President of the Wachovia Bank and Trust Co., Winston-Salem, N. C.

Prominent Banker Reviews the Economic Outlook in the South Both On the Credit and the Debit Sides. While Pointing Out Great Agricultural Progress of the South and Especially in the War Period, He Stresses the Need for More Diversification in Agriculture and Industry and Greater Technical Skill and Research. Holds Recent ICC Rate Decision Will Stimulate the South's Industrialization and Concludes That Despite the Greater Economic Attainments of Some Other Regions, the Rate of Progress in the South During Next Decade Will Equal or Surpass That of Any Other Region.

No region in the nation has had such a wide divergence of interpretation as has the South.

It has been called America's economic problem No. 1. In film and fiction it has been depicted as an area inhabited by barefoot, pellagra ridden share croppers, a land eroded by one crop farming, a section where low wages and sub-standard educational and living conditions prevail.

Too many people in other sections of the country get their chief impressions of the South from such books as "Tobacco Road," "Gone With the Wind" and "Strange Fruit."

Other interpreters of the South ignore its handicaps and picture it as a land of golden promise with a rich and easy harvest. They wax eloquent against a background of mint juleps, soft flowing streams and Stephen Foster sentiment. They, too, lack a sense of realism.

I shall attempt here to evaluate, in terms of business outlook,

*An address by Mr. Hanes at a meeting of Business Executives in New York.
(Continued on page 528)

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NASD By-Law Amendments for Registration of Salesmen, Traders, Partners, Officers, Etc., Will Become Effective in the Absence of SEC Disapproval. Belief Prevalent These Amendments Had SEC Blessing in Advance. Meshed Activities of SEC and NASD Should Be Disclosed and Publicized. Complete Secrecy of Future Voting Possible. Method Disclosed. Our American Way of Life Including Freedom of Trade Is Endangered.

Now that the amendments to the NASD by-laws providing for the registration of salesmen, traders, partners, officers, and other employees, have passed, it is fitting that we give attention to a number of problems inherent in the current situation.

First we deal with voting on proposed by-law amendments generally, and the cost of the new set-up.

One of our readers writes us, "If the Governors, who certainly speak for the Secretary, are truthful in asserting that no increase in fees is contemplated, they must either be ignorant of the fact that to keep track of 10,000 or more daily changing personnel is a very expensive job, or contemplate economies that should have been made years ago."

It cannot be honestly denied that the cost of implementing this set-up will be substantial. How does the NASD propose to defray the expense thereof? Are not the member firms entitled to know this now? Is it the intention of the Governors to impart this information forthwith?

What is to be expected in membership voting on future amendments? Will the NASD adopt the same tactics that they have used heretofore? Will the Governors either directly, or through the District Chairmen, or other officials, pressure the members to vote and indicate the course that the voting should take?

If past performances are to be followed, then there need be no hope that the Governors or those under their direction and control will adopt a hands-off policy in connection with voting on future proposed amendments to the by-laws. This being so, it is apparent that the Board does not intend to adopt the safeguards as we see them inherent in Article IX of the by-laws.

Into that Article, which is clear upon its face, and which provides for separate votes on proposed by-law amendments, one by the Board of Governors and the other by the membership of the association, the Governors have apparently read a construction or interpretation which permits them by direct contact to influence and control the vote of the membership.

This is an evil which requires immediate remedy.

Under Article IX, proposed additions, alterations, or amendments to the by-laws, may be initiated by any 25

(Continued on page 522)

Meaning of British Election Results

By SIR STAFFORD CRIPPS*
President of the Board of Trade, Great Britain

Stating That the British Election Was Based Upon Policies Put Forward by the Rival Parties, Sir Stafford Cripps Outlines the Labor Party's Plans for Next Five Years. Will Seek Nationalization of a Few Important Industries While Retaining a System of Planned and Controlled Private Enterprise for the Rest and Will Maintain Controls to Avoid Inflation. Will Adhere to a Cooperative International Policy and a "Close and Understanding Friendship Between the Two Democracies."

I want to speak to you about the results of our general election which have surprised many people in other countries. It is not easy for you in America to appreciate the workings of our democracy any more than we found it always easy to understand the whys and wherefores of your elections. Though both our democracies stem from the same common source they have developed along different channels. Yours has come down through the outstanding Presidents you have elected, like Jefferson, Abraham Lincoln, and Franklin Roosevelt into the hands of your wise President of today. Ours, through successive Prime

*A radio broadcast by Sir Stafford Cripps over the Columbia Broadcasting System, July 30, 1945.
(Continued on page 521)



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Robert M. Hanes



Sir Stafford Cripps

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**New Group of Opinions Presented
Regarding Competitive Bidding**

We present in this issue some more of the letters received by the "Chronicle" in connection with its request for comments from dealers and other interested parties regarding the subject of competitive bidding. Other communications appeared in our columns of July 12, July 19 and July 26, starting on the fourth page in each issue. As previously stated, we welcome the views of those who have not as yet acted on our invitation and would ask that correspondence be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

Where the writer requests that neither his own identity and/or that of the firm with which he is connected be revealed, such a desire for anonymity will be carefully observed.

* * * * *

C. H. LITTLE
— C. H. Little & Company, Jackson, Tenn.

I am not in favor of competitive bidding on railroad, public utility and industrial securities for the reason that the bankers for these institutions in most instances are more familiar with the set-up of the railroad or public utility than the parties coming into the market for competitive bids. In most instances these corporations have been doing business with these bankers for a great many years, and I think they have enjoyed sound economical financing for a great many years. It has been my observation that by competitive bidding for securities of public utilities and railroads they have never received a great deal for their securities than they did heretofore. There are, of course, a few exceptions to this rule.

* * * * *

WALTER L. MORGAN
— President, W. L. Morgan & Co., Philadelphia

I am opposed to competitive bidding of any character because, as a buyer of securities, competitive bidding means that I pay a higher price than would otherwise be the case. As a professional buyer of securities, and through my duties as president of Wellington Fund, I represent thousands of small investors. I never could understand why the SEC which is supposed to represent these many small investors, i.e., the public, would favor competitive bidding. By so doing the SEC is favoring the issuing companies and getting them higher prices rather than representing the public whom the SEC

(Continued on page 543)

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Business Activity Maintained At a High Level

Downward Trend in Industrial Production Is Very Gradual—No Striking Changes in the Rate Are Expected Soon—Total Volume of Business Holding Up Even Better Than Production—Above-Average Crops in Sight Again This Year.

(From the August "Business Bulletin" of LaSalle Extension University, A Correspondence Institution, Chicago, Ill.)

Continued readjustment of the economic system to the changing requirements of the one-front war in the Pacific and the energetic efforts to speed up the recovery

of such facilities as can be spared for normal peacetime output are the outstanding characteristics of the current business situation. Many of the shifts are being made more smoothly than was considered possible. Others, such as in transportation, are proving more difficult and disturbing. The redeployment of troops over long distances requires many more passenger cars. As much freight as last year is being hauled, most of it much farther and over routes which have not been handling such quantities in the past. Although the railroads are keeping up the excellent work which they have done throughout the war period, the demand for transportation will be so enormous that conditions may become somewhat more serious during the next few months.

War Production Still the Main Job

Although production for war has declined 17% since the high point in March and by the end of this month will be down 20%, war materials and equipment still constitute the major part of factory output. War expenditures are around \$7,000,000,000 monthly and amount to more than 60% of all income payments to individuals each month. Well over \$4,000,000,000 is being spent monthly for munitions, war materials, and equipment. The amount may become somewhat smaller during the remainder of the year but unless the war in the

Pacific progresses much more favorably than now anticipated, the Federal Government will take the large part of what is being produced in factories. By the end of the year war output is scheduled to be around 70% of what it was at the beginning.

The effects of the cutbacks in war orders will become more evident during the next few weeks but so far they have involved no major jolt to total industrial output. They have, of course, been very striking and significant in many factories and communities. The policy has been to make the cancellations or reduction of war contracts with as little disturbance as possible. They have been made mostly in tight labor areas where workers laid off could most easily find employment elsewhere. They have been made in civilian plants which had been converted to war production rather than in specially-built war plants. They have been made in large, diversified plants rather than in single-product or one-contract plants.

Many shifts have also been made in types of products turned out. Some items, such as medium tanks, have been practically eliminated. Some other types of transportation equipment, including the production of ships, have been reduced much more than the average reduction. Several items have been increased, among which are increases of several hundred per cent in the production of

(Continued on page 530)

Analyzes British Exchange Controls

Federal Reserve Bank of N. Y. Sees Need for International Action to Create Conditions That Will Relax Restrictive Exchange Practices.

The Federal Reserve Bank of New York, in the August issue of its review of credit and business conditions, describes the British agreements effecting international exchange controls, such as have been concluded in the last nine months with Belgium, Egypt, Sweden, Turkey and other countries not in the Sterling area. Although stating that "agreements of this character will have a beneficial effect of facilitating more normal commercial relations between the participants," the review calls for "appropriate international as well as American action designed to create the conditions necessary for a gradual relaxation" of these exchange controls and other restrictive trade practices abroad.

The text of the Reserve Bank's statement follows:

Considerable interest has been evidenced in this country with regard to the series of important bilateral financial agreements which the British Government has concluded during the past nine months with various foreign countries, including, in chronological order, Belgium, Egypt, Sweden, France, Turkey, and Iraq. This article will examine the three agreements with the Western European countries, which exhibit a common pattern, while those with Egypt, Turkey, and Iraq, which are of a somewhat different character, will be treated in a later article.

The recent agreements with Belgium, Sweden, and France, which are essentially an extension

of somewhat similar financial pacts which Britain concluded with these countries early in the war, are primarily designed to facilitate the resumption of orderly commercial and financial relationships, long interrupted by the German occupation of Europe, between Britain and each of the countries concerned. This objective is to be achieved in each case by: (1) the establishment of payments machinery adjusted to the regime of close exchange controls prevailing on each side; (2) commitments regarding exchange rates; (3) cooperation in common exchange control problems and in the control of undesirable capital movements; and, most important, (4) mutual provision of overdraft facilities or credits to insure that trade between the parties will not be impeded by shortages of each other's currency or of other acceptable means of payment, such as gold and dollars. The agreement between Britain and France also contains a special set of provisions, which will not be discussed here, designed to settle the complicated mass of financial claims between the two countries arising out of the prosecution of the war. Included in the three agreements, it might be noted, are not only the four principals, but also, in the case of Britain, Belgium, and France, their respective monetary areas, i.e., the coun-

tries of the sterling area, the Belgian monetary area, and the French franc area.
(Continued on page 535)

PANAMA COCA-COLA
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DIVIDENDS:
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NSTA Notes

"40 OVER 3"
 May we sincerely thank Joe C. Phillips, of Pacific Northwest Company, our Seattle district chairman, and Ray Bernardi of Cray McFawn & Co., our Detroit district chairman for their demonstration in the past week. Thanks are also due to Bert Horning, Stifel, Nicolaus & Co., St. Louis District Chairman, and Joe Weil, Weil & Arnold, New Orleans District Chairman, for advertising secured to date.

With less than four weeks to go can we call on our members for their aid in making this the most successful drive for advertising in the NSTA Supplement of the "Commercial & Financial Chronicle." We would like to hear from San Francisco, and further from Los Angeles and Denver. Al Tryder, your Vice-Chairman, of W. H. Newbold's Son & Co., Philadelphia, has informed the committee that Philadelphia will perform in its usual custom very shortly. Our tabulation for this week is: Baltimore 5, Boston 3, Florida 4, Georgia 3, Tennessee 3, Detroit 15 up 2, Grand Rapids 3, Louisville 5, Cleveland 13, Cincinnati 6, up 3, New Orleans 7, Texas 3, St. Louis 13, Minneapolis 4, Chicago 17, and New York 62 up 21.
 K. I. M. your advertising committee and prove to them they have your support.—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
 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.

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Public Utility Securities
North American Light & Power

North American Light & Power is one of the "mystery" holding companies. Technically it is controlled by North American Company although it was not originally part of that system and is not included in the consolidated reports of North American. It in turn controls Illinois Traction, an inactive company (now being liquidated) which has important holdings in Illinois Power Co.
 North American L. & P., in addition to its indirect interest in Illinois Power, controls two medium-sized utilities, Kansas Power & Light and Missouri Power & Light, and also has a substantial holding of Northern Natural Gas common. On the liability side the set up is as follows:

	Held by N. A. Co.	Held by Public
\$5,623,500 debenture 5 1/2s, 1956	100%	
\$6 - pfd. stock (194,180 shares, arrears \$78)	44%	56%
Common stock (6,288,059 shares)	85%	15%

The company will be liquidated under SEC orders, but no formula has yet been worked out for division of the assets. The problem is complicated by the claims of four interests—North American Company, Illinois Power (which is suing over alleged mismanagement), and the preferred and common stocks. Abstruse "Deep Rock" issues complicate the picture—on the one hand possible mismanagement by North American Company, on the other hand the mismanagement claims by Illinois Power. And of course the preferred with its heavy arrears has a very substantial claim against the "Estate."

This brief sketch can only attempt a summary of the problems involved, not a careful analysis. Light & Power assets are carried on the balance sheet at only about \$34,000,000, but seem to be worth considerably more, based on the following estimates:

	Est. Mill.
Cash less current debts	\$5.2
Northern Natural Gas (355,250 shares) at \$35	12.4
Kansas P. & L. (1,050,000 shares) at 13 times current earnings of \$1.21	16.5
Missouri P. & L. (75,000 shs. com. earning \$4.75) at 15 times earnings**	5.4
Illinois Traction note and equity	15.0
Illinois Power securities at recent market prices	1.4
Central Terminal note	.8
Miscellaneous items	.2
Total	\$46.9

*Current Curb Market, 37 1/4.
 **Earnings could be improved perhaps \$1.00 a share by a refunding program, and common would probably be split up before a public offering, hence earnings have been capitalized at a higher ratio.
 Illinois Traction, now being liquidated, will transfer 300,000 shares of Illinois Power together with cash and miscellaneous net assets to North American L. & P. The year-end valuation of these assets might be improved by higher prices for Illinois Power (now about 18).

Against these assets there are the following claims: Illinois Power is suing for an indeterminate amount of about \$20,000,000-30,000,000 against which counter-claims of \$45,000,000 were filed by the parent company. North American Company, according to its latest balance sheet, has a claim for about \$4,564,443 with respect to the debentures and \$4,157,000 invested in the preferred stock (holdings of the common stock, are carried at over \$22,000,000). The preferred stock held by the public is entitled to \$19,400,000, including dividend arrears; if it is assumed that, on the discount theory, about half the arrears would reflect a fair cash settlement, the total claim would be about \$15,000,000.

On the basis of these estimates the preferred stockholders could be paid off (on a discount basis), North American could be assigned the book value of its investment in debentures and preferred stock, Illinois Power could receive \$20,000,000, and there might still be several million dollars left for common stockholders. If the amount were apportioned among all stockholders it would hardly exceed 50 cents a share; if distributed only to public holders (about 961,000 shares) it might amount to several dollars a share. Naturally a wide variety of results can be obtained by manipulating the estimated amounts which might be assigned to the various claims in the final settlement.

North American L. & P. preferred is currently quoted at about 123-5 1/2 and the common at 3 1/4.

Business Man's Bookshelf

Democracy Is Not Doomed!—An answer to Friedrich Hayek—Socialist Party, 303 Fouth Avenue, New York 10, N. Y.—paper—10c (quantity prices lower).

Investors Aid 1945—Outlook for business and securities—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Associated Electric 5s 1961
Associated Gas & Electric issues
Portland Electric Power 6s 1950
Lincoln Building 5 1/2s 1963
GILBERT J. POSTLEY & Co.
 29 BROADWAY, NEW YORK 6, N. Y.
 Direct Wire to Chicago

Tomorrow's Markets
Walter Whyte
 Says—

By WALTER WHYTE
 Election news gave the market excuse for break. Many stocks point down some more; many do not. Time to buy when everybody expects them to go lower.

The biggest piece of news to hit the Street in many a long day was the British election returns. Being a complete surprise, the market acted in characteristic fashion. It went down. And in going down unloosed a flock of pessimistic interpretations and forecasts of which the communization of English industry was only a small part.

From this column's viewpoint the results of the elections are already in, for good or bad. There's nothing one can do about them. One now has to adjust accordingly. The first adjustment, from a stock market viewpoint, is obviously, what do we do from here on.

To do that we have to understand certain things that happened in the past. Take a look at the break. For weeks the market was shouting that it was coming. The news which actually brought it about was the election. But you can be certain that if it weren't the elections it would have been something else. The selling in the past few weeks wasn't the sort that comes from tired souls. Somebody somewhere knew something.

But now that the news is out the bearishness is no longer valid. It might be valid, probably quite is, for the long term. But for the immediate future the election news must be considered as so much water over the dam. From here on it looks like a case of higher prices. But before you go off half-cocked I'd like to point out that indications don't show a free-for-all on the upside. It looks like a
 (Continued on page 539)

Hirschfield Vice-Ch. Of Cons. Gas Util.

Consolidated Gas Utilities Corporation announces that Norman Hirschfield, vice president since 1938 and a director of the company since 1940, has been elected to the newly created office of vice chairman of the board. Prior to his association with Consolidated Gas Utilities in 1938, Mr. Hirschfield was a partner in A. M. Lampion & Co., investment bankers and a pioneering firm in the financing and construction of natural gas pipe lines in the Southwest.



Norman Hirschfield

The company also announces that Major Charles Friedman has been elected a director to fill the vacancy created by the death of Charles F. Park. Major Friedman of the United States Army Air Corps, who has recently returned from Assam, will be released from active service. Prior to his entering the armed services, he was treasurer of the Metropolitan Body Company of Bridgeport, Conn., and had been a member of the firm of Friedman & Co.

To Consider Curbs on Commodity Speculation

According to a United Press dispatch from Washington on July 28, Secretary of Agriculture Clinton P. Anderson has ordered a public hearing in Chicago on Aug. 15 to determine if further controls are needed to curb speculation in rye trading. This is, apparently, the result of recent wide fluctuations in rye prices, but it has a larger aspect, since it is believed to be in line with the recent Federal Reserve Board's policy of curbing stock speculation by raising the margin requirements on transactions to 75%. It is reported that the Department of Agriculture, which under the Capper-Tincher Act is given full authority to regulate transactions on food commodity exchanges, believes it may be desirable to impose additional restrictions and to pass additional laws on commodity transactions as has already been done in the case of the securities markets. The United Press states that Secretary of Agriculture Clinton P. Anderson said the department was considering the wisdom of "additional legislation to provide authority for the fixing of margins on commodity futures transactions in a manner similar to that in effect in the security markets."

Secretary Anderson expressed concern as to the effect of "unbridled speculation" on agricultural marketing. He stated that the Agriculture Department will move not only to lower speculative purchasing limits, but is also "considering the desirability of additional legislation to provide authority for the fixing of margins on commodity futures transactions in a manner similar to that in effect in the security markets."

Mr. Anderson mentioned that on June 27 the Chicago Board of Trade was directed to fix higher margins of its own accord. He said that the action taken by the exchange fell "materially short" of the department's wishes. The exchange established a 700,000-bushel position limit and a 1,000,000 bushel daily trading limit instead of the 500,000 bushel limit for each suggested by the department. Changes in the margin requirement and a maintenance

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A Swedish View of the Anglo-Swedish Trade Agreement*

Writer Holds That Effectiveness of the Anglo-Swedish Payments Agreement Depends on the Retention of the Dollar-Pound Rate and Should Sterling Decline, Sweden Would Lose Since to Use Its "Blocked" Sterling Balance, It Would Pay More for British Than American Goods. Holds, Under Such Conditions, the Agreement Would Be Abrogated. Concludes the Agreement Conflicts With Bretton Woods Plan and Is Not Likely to Be Continued After the War.

A payments agreement between Sweden and England was signed in London on March 6. The agreement is valid for a period of five years, commencing Jan. 1, 1945, but can at any time be terminated after a three months' notice of denunciation. It aims primarily at regulating payment terms between the two countries during the transition period after the war, when a considerable Swedish export balance with England may be expected. Technically, the agreement means that the Bank of England shall sell to the Swedish Riksbank for Swedish crowns, such amounts in pounds sterling as may be required for payments which persons in Sweden must make to persons in the so-called sterling area, and that the Swedish Riksbank in return shall sell Swedish crowns for pounds sterling to the Bank of England. In reality this means—as a Swedish export balance may be taken for granted—that the Riksbank must assume from the Swedish exporters those pound claims which correspond to the Swedish export balance. These pound credits can only be used for payments in the sterling area, that is, mainly in Great Britain

*Translated from "Ekonomisk Revy" (Economic Review) of April 2, 1945, Stockholm, Sweden. For text of the Anglo-Swedish Payments Agreement, see the "Chronicle" of May 17, 1945, page 2165.
margin also were less than asked by the agricultural department.

The Anglo-Turkish Trades and Payments Agreement

Continuing its policy of publishing the texts of the British bilateral trade and payments agreement the "Chronicle" prints below the text of the Trade and Payments Agreement between the United Kingdom and the Government of the Turkish Republic with Protocol dated May 4, 1945. Previous issues have contained similar agreements with Sweden, Peru and Bolivia.

Trade and Payments Agreement Between His Majesty's Government in the United Kingdom and the Government of the Turkish Republic

London, 4th May, 1945.
The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Turkish Republic, wishing to develop trade and facilitate payments, have agreed as follows:

Article 1
The Anglo-Turkish Trade and Payments Agreement of the 3rd February, 1940,⁽¹⁾ as extended by the Exchanges of Notes of the 31st March and 30th April, 1945, is hereby abrogated.

Article 2
The Central Bank of the Turkish Republic (hereinafter called "the Central Bank") shall open a "Turkish Account" at the Bank of England.

Article 3
(i) On the coming into force of the present Agreement and, at such times as may be necessary thereafter, the Central Bank, acting as agent of the Government of the Turkish Republic, shall publish for its purchases and sales of sterling the buying and selling rate of sterling against Turkish pounds and the premium which is applied to certain operations.

(ii) The Contracting Parties shall take all possible steps to ensure that, except as may be agreed between them or on their behalf between the Bank of England and the Central Bank, all payments

which residents of the sterling area are, under Exchange Control Regulations in force in that area, permitted to make to residents of Turkey and all payments which residents of Turkey are, under Exchange Control Regulations in force in Turkey, permitted to make to residents in the sterling area shall be settled through "Turkish Accounts."

Article 4
(i) The Government of the United Kingdom shall not restrict the availability of sterling on "Turkish Accounts" for making—
(a) Transfers to other "Turkish Accounts";
(b) Payments to residents of the sterling area; or
(c) Transfers to residents of countries outside the sterling area and outside Turkey to the extent to which these may be sanctioned by the Government of the United Kingdom under the arrangements contemplated in paragraph (ii) of this Article.

(ii) As opportunity offers, the Bank of England, acting as agent of the Government of the United Kingdom, will endeavor to arrange, at the request of the Central Bank, acting as agent of the Government of the Turkish Republic, and with the consent of the other interested parties, to make sterling on "Turkish Accounts" available for current payments to residents of other countries outside the sterling area, and
(Continued on page 540)



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Birger Johnson Pres. of American Utilities

Birger L. Johnson, who was president of Memphis Natural Gas Company from 1935 to 1943, has been elected president of American Utilities Service Corporation, which operates telephone, water and gas companies in Wisconsin, Illinois, Missouri, West Virginia and Florida. Mr. Johnson was for a number of years vice-president of the investment banking firm of P. W. Chapman & Co.



Birger L. Johnson

While Mr. Johnson's headquarters will be in Chicago, he will continue to maintain his New York office.

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Real Estate Securities

Remarkable Appreciation Shown By Tabulation In This Article

This column, established as one of the features of this publication in September, 1942, to acquaint dealers and the investing public with the unusual possibilities offered by well selected real estate securities, has attempted to show various factors as they became apparent and the possible effect these factors and improved conditions would have upon the market value of these securities.

In the Dec. 30, 1943 issue, the column drew attention to some of the headlines of various articles during 1943 and also showed a tabulation showing the dollar appreciation during 1943 of certain issues mentioned. We believe it still of interest at this time to quote the headlines and to give a new tabulation using the same issues, in order that the 1943 appreciation may be shown and more important the additional appreciation since 1943, which in every case is in excess of 100% of the amount for 1943.

Some of the headlines for 1943 based on the contents of the column were as follows:

"Markets Show Continued Up-trend."

"Assessed Valuations Indicate Bonds Selling Far Below True Intrinsic Values."

"First Mortgage Liquidation Certificates Offer Attractive Investment Possibilities."

"Post-War Future of New York City Hotels."

"An Inflation Hedge, Hotel Securities Show Market Strength."

"Office Building Bonds Bear Watching."

"Changes Brought About By War and Economic Conditions Reacting to Benefit of Real Estate."

"Figures Compiled by Real Estate Board of New York, Inc., Show Large Increase in Dollar Volume and Number of Sales."

"Demand for Office Space in New York City Rental Rates Be Increased."

Issue—	Dollar apprec. in 1943	Dollar apprec. since 1943	Pres. bid per \$1,000 bond
Savoy Plaza 3-6s, '56	280	455	825
London Ter. 3-5s, '52	105	330	760
Hotel Lexington Uts.	210	270	1,000
10 E. 40th St, 1953	45	95	*
Gov. Clinton 2s, '52	180	355	765
Hotel St. George 4s, 1950	115	195	730
Shermeth Corp. 5 1/2s	300	310	655
50 E. 65th St 3-5s, '50	100	250	650
Allerton N. Y. 3-6s, '55	140	190	500
Hotel Taft 5s, 1947	80	80	*
Hotel Drake 3-5s, '53	140	240	700
2 Park Ave. 4-5s, '46	80	300	900
Herald Sq. 3-5s, '48	80	230	940
370 7th Ave. 4 1/2s	220	350	820

*Called at par.

There is no doubt, in our opinion, that well chosen real estate securities merit consideration in view of better general real estate conditions and that the above issues (as well as others) at the present market levels as shown in the table may appear very attractive upon investigation through specialists in the field who can supply full information.

Says U. S. Will Turn to Left

Harold Laski, British Labor Party Leader, Says Free Enterprise "Packed Up in the Nineties, When U. S. Reached the Last Frontier" and That Same Causes Which Brought About Labor Victory in Britain Are At Work Here.

In a radio interview by the Chief of the Columbia Broadcasting Company's European staff, and broadcast over the Columbia network on July 31, Professor Harold Laski, a prominent leader in the British Labor Party as well as Professor of Political Science at the London School of Economics, predicted that the United States will follow Great Britain in moving toward the left, "as soon as you face the issues of a peace-time economy."

According to the New York "Herald-Tribune," Professor Laski stated that American capitalism, as "free enterprise," is one of the most ingenious fallacies that American business men ever put over on the American public, and that "free enterprise is advertising that should be examined by the Federal Trade Commission."

According to the "Herald-Tribune" Professor Laski said he does not foresee any conflict between Labor Britain and capitalist America. "The same causes which brought about the Labor victory in Britain are at work with you," he continued, "and with the same effects. As soon as you face the central issues of a peace-time economy, the logic of history will make you move in our direction." He described the Labor Party victory in England as part of a world wide revolution, in which all liberated countries in all continents will participate.

Professor Laski, like Sir Stafford Cripps, stated the Labor

Party will take up where the American New Deal stopped, with such projects as the Tennessee Valley Authority, and like Sir Stafford, he denied that the Labor Party is revolutionist in its doctrines.

"We are revolutionists," he said, "in the sense that we want the rational process of democratic government to reorganize the central principles of our civilization."

"We think we have got a chance of doing it by common consent and through the mechanism of parliamentary government. We are not ardent expropriators of everybody's property. We aren't going to touch any little man's savings."

"We are going in a straightforward, orderly fashion to socialize, stage by stage, the ownership of the vital instruments of production on a carefully considered plan of priority, because that is what the life of this nation depends on. And we are going to do it through Parliament."

In reply to the question as to

Dealer-Broker Investment Recommendations and Literature

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

Agricultural Equipment Industry Outlook—Study of immediate and post-war prospects—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Bond Structures of the State of Louisiana and Its Parishes and the City of New Orleans—Booklet—Scharff & Jones, Inc., Whitney Building, New Orleans 12, La.

Grist—A page of comment geared to the news—Dresser & Escher, 111 Broadway, New York 6, N. Y.

Inflation—Memo on current economic outlook—Josephthal & Co., 189 Montague Street, Brooklyn 2, N. Y.

Also a brief summary of **Howe Sound Co.**

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

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

Preferred Stock Guide—Quotations on preferred and common public utility stocks—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available is a study of **Public Service Company of Indiana.**

Stock Market Comment—Discussion of current events affecting market—also available the **Fortnightly Letter**—H. Hentz & Co., 60 Beaver St., New York 4, N. Y.

Successful Investment Planning—A 10-year record of issues with appreciation possibilities—Security Adjustment Corp., 16 Court Street, Brooklyn 2, N. Y.

Atlanta & West Point Railroad—Circular—Adams & Peck, 33 Wall Street, New York 5, N. Y.

Boston Terminal 3 1/2s of 1947—Analytical report describing reorganization status and proposed plan—Greene & Co., 37 Wall Street, New York 5, N. Y.

California Electric Power Company—Detailed study—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available a descriptive circular on **Philip Carey Manufacturing Co.**

Chicago, Milwaukee, St. Paul & Pacific—Memo on reorganization developments—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available a memo of **ICC Monthly Comment on Transportation Statistics.**

Cleveland-Cliffs Iron Company—Memorandum and comment—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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

what steps would be taken first in the nationalization program, Professor Laski said: "The Bank of England is going to be socialized, and the direction of investment will be planned as part of a process of industrial reorganization. And mines and electric power, then iron and steel and transport."

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

Consolidated Electric & Gas Co. preferred and **Central Public Utility Corp.** Income 5 1/2s 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 Corp. common—descriptive circular for dealers only—Bennett, Spanier & Co. Inc., 105 South La Salle St., Chicago 3, Ill.

Dunningcolor—Descriptive circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y. Also available is a memorandum on **Gerber Products.**

Eastern Corporation—Descriptive memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Western Light & Telephone and Wellman Engineering Corp.**

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.

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

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

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

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

Hajoca Corp.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

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

Interstate Co.—analytical study—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Also available a detailed report on **United Brick & Tile Company.**

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.**

Long Bell Lumber Co.—detailed brochure for dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are copies of the recently amended **Illinois Securities Act.**

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

Midland Realization and Midland Utilities Common—Memorandum—Doyle, O'Connor & Co., (Continued on page 539)

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Meaning of British Election Results

(Continued from page 515)

Ministers and Governments, responsible to our House of Commons, has now come for the first time in our history into the hands of a majority Labor Government led by a Labor Prime Minister who, as deputy Prime Minister, did such splendid service during the war. But both our democracies have a common purpose, so to organize the lives of our people as to give them all those advantages and benefits that science and the bounty of nature have made possible.

Our general election was not decided on personalities or past records of achievement, but upon the policies for the future put forward by the rival parties. There is one point upon which everyone is agreed. That Great Britain should concentrate all its available effort upon the successful completion of the war against Japan. The principal differences were over our domestic problems and how we shall face the difficult period that lies ahead of us. From many Labor platforms admiration was expressed for Mr. Churchill's fine leadership through the war years. But there was the very strongest opposition to the Conservative Party's program for the future.

Labor Party's Program

Labor put forward a limited program to be carried out during the next five years. We sought power to plan the orderly development of the country's resources, bringing some few of the more important industries and services under national ownership, while retaining a system of planned and controlled private enterprise for the rest. Many admiring references were made to your great T.V.A. experiment as a pattern of what could be achieved by wise and imaginative planning.

It was made clear that the Labor Party did not believe in confiscation, but rather in fair compensation for any person whose interests were taken over by the State, whether in industry, land or finance. During the war a great volume of savings has been built up by the small men in our country and we are particularly anxious to see that these savings are safeguarded. For that reason, apart from all others, it will be necessary to maintain prices and other controls so as to avoid the losses that would flow from inflation.

Our fundamental idea is to achieve a greater degree of economic liberty for the common people, though this means some restraint upon the financial and industrial freedom of the small section of our population who hitherto enjoyed privileges and wealth. We shall seek to accomplish this in our first five-year program by a wise combination of State ownership and private enterprise with effective control and planning of our national resources. In this way the Labor Party believes that it can make our democracy more effective and more all-embracing in its scope, and hopes to be able by these means to raise the general standard of living throughout the country. This higher standard will be reflected in more generous provisions for

social and industrial insurance and pensions, and also in better health services, education, housing and recreational opportunities for the people.

The British Labor Party has always been and is today a social democratic party, that is to say it believes that the necessary changes must be brought about by democratic methods. It will be for our House of Commons to decide upon the speed and the thoroughness of the change. We are determined that the House of Commons shall be the sovereign body in our country, controlling and regulating on behalf of the people every change that is made in our laws.

Election Is Result of Well Considered Opinions

One of the most interesting and noteworthy features of our election was the thoughtful attention given by the people to the rival programs put forward. It was in no sense an emotional exhibition. It was markedly more serious-minded than any previous election of which I have had experience. The British people have given a well-considered opinion and have spoken decisively in favor of the Labor Party's program. This is particularly the case so far as the younger generation is concerned including those in the armed forces.

Another point to be observed is that very many members of the so-called middle class, the professional and salaried workers, have for the first time thrown over their allegiance to the Conservative Party and have supported the Labor Party, realizing that workers by hand and brain have common interests. A number of rural districts hitherto considered the backbone of Conservative strength have also elected Labor members. In the result Labor has been given a very large majority in the House of Commons which should insure it a long term of office.

International Policy

For many years now the Labor Party has been a pioneer of international agreements such as that recently worked out at San Francisco, and so quickly approved by the American Senate. For we believe that those who live by the work of their brains or hands have very similar interests in whatever country they may happen to live. But we also adhere to the full to the strong sentiment of the British people of every political view that one of the essential foundations for a prosperous and peaceful world must be a close and understanding friendship between our two democracies.

Each of our nations has its own destiny to fulfill under God's guidance, and each has its own peculiar contribution to make to the development of peace and prosperity throughout the world. But, though our contributions are separate and distinct, they can only have their full value if they are given in mutual understanding and cooperation.

Democrat or Republican, Labor or Conservative, as Americans and Britishers let us work together for a fuller, better and happier



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S. E. Firms Group to Assist Veterans Employed by Members

Incident to the fact that servicemen are daily returning in large numbers and the question of proper reemployment of the discharged veteran will shortly become a major problem in this as in other industries, it is indicated by the Association of Stock Exchange Firms, in advices of July 25 to member firms of the Association, that "a nationwide committee of partners of Stock Exchange firms has been formed for the purpose of assisting member firms in handling the problems which may arise with the return of veterans who were formerly associated with such firms. The objective of the committee, says the announcement, is twofold: "First—To assist former member firm employees in finding satisfactory reemployment in the 'Street' by establishing a Clearing Bureau for jobs, and

"Second—To give firms information on questions connected with the relocation and technical training of veterans."

The announcement, made by William K. Beckers, Chairman of the Committee on Veteran Placement and Training, and W. W. Peake, Secretary of the Association of Stock Exchange Firms, further states:

future for our own people and for all the teeming millions of the world, determined to make true in action those deep-seated Christian principles which inspire our civilization.

"The committee, therefore, as a first move in this survey requests the following information from our members:

"1. The name of a partner in each firm who will act as liaison between the Association and his firm.

"2. The number of men in each firm who have been or are enrolled in government service, and what positions they formerly held.

"3. How many veterans have already returned to jobs in your organization.

"It is realized that everybody wishes to provide a job for the man who has left. Many veterans will find immediate reemployment with their old firms. It is possible, however, that some will wish new jobs not available in their former firm. Such a man may list his requirements with the committee through his former firm as soon as the proper clearing machinery has been set up. The committee will, at such future time, also ask member firms to list with the Clearing Bureau jobs which may be available. Assistance will be offered in selecting the proper educational classes at the New York Institute of Finance or elsewhere. But activities will for the present necessarily be limited in general to assisting the former employees of Exchange firms.

"Through our Regional Governors we shall make an effort to establish local committee to work along these lines. Inasmuch as there is a definite need for additional employees, it should be possible to realize our desire to bring back to proper reemployment the men who have been fighting for us on all fronts.

ADVERTISEMENT

NOTE—From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number ninety-eight of a series. SCHENLEY DISTILLERS CORP., NEW YORK

Bombardier!

ACT I:

Some years ago the president of one of the advertising agencies which serve us wrote a book on ADVERTISING. About a year ago he received a letter from a young lieutenant, a bombardier, who was in a German prison camp. His plane had been shot down over enemy territory. While "behind the wire" he happily found a copy of our agency friend's book in the prison library. Before entering the armed forces this lad had been studying advertising in college. And here he was, a prisoner of war, continuing his studies from a text book written by a seasoned, practical advertising man.

Our "hero" did not spend his time bemoaning his fate; he wrote the author of the book, for further informative material. (We wrote a piece in this column about a year ago, on this incident.)

ACT II:

The happy day arrived. Victory in Europe! Prisoners freed . . . returned home!

ACT III:

Today, this recorder attended a luncheon at the Waldorf in honor of our young lieutenant who had just graduated from the "University of Captivity." The luncheon was given by a number of advertising men who had clubbed together, during this past year, at the suggestion of our agency friend, for the purpose of sending additional advertising material, following the lad's request for "more, more."

ACT IV: (Coming)

The fourth act—in this little drama, remains to be written. It will have a happy ending—when our young lieutenant is discharged from service and gets the advertising job he deserves. He has learned much about the reactions of the human mind—so necessary in advertising. Can anybody stop this lad?

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BOSTON, MASS.—Sides, Morse & Co., has been formed with offices in the Sears Building, to conduct a business in general investment securities. Officers are William Randolph Sides, President; Kenneth Morse, Treasurer; and Raymond Whipple Maloon, Assistant Treasurer.

Mr. Sides and Mr. Maloon were formerly officers of Hale, Waters & Co., Inc.; Mr. Morse was an officer of H. P. Wood & Co.

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Post Mortem

(Continued from page 515)

members of the association. A petition signed by such members asking for an affirmative by-law directing all of the officials to adopt a hands-off policy in connection with voting on proposed amendments under Article IX would have a very salutary effect.

Our own attitude is that the Governors have a plain duty even in the absence of such petition. However, since they choose to disregard it this is one way, should such an amendment be passed, of forcing them to a realization of their duty.

We are now told, rather jubilantly, that the securities field by reason of the adoption of these amendments has taken on a professional tinge. That is the bunk. The word or phrase was conveniently coined for the purpose of ensnaring the non-analytical mind.

Dealers in securities are merchants. Where they act as principal they have something to sell, just as do merchants in every other field. They likewise buy with an eye to making a profit. The members of the public who purchase from them have the same motive in mind. There is nothing particularly alluring about the term "professional tinge." It is being used only to increase the Behemoth of regulation which now bestrides the securities industry.

To apply to a merchant the term "professional" does not change his activities one iota. He is what he is and name calling effects no alteration. We believe this to be absolutely true in the securities industry.

Of course, formally it may be said that the by-laws dealing with registration are not yet in full force and effect because the Securities and Exchange Commission has a veto power.

Whilst we believe that ample grounds exist for the exercise of that veto power, particularly amongst other things, because of official action in attempting to influence the result, we would be amazed if the Securities and Exchange Commission did declare these new by-laws inoperative.

In our humble opinion, the by-laws are as much a product of the SEC as they are of the NASD. We believe that representatives of both organizations have conferred with respect to them. We believe that their contents, if not their exact phraseology, were the product of the meshed activities of both organizations. We believe further, that it is a duty of the representatives of both organizations to make known to the public, and particularly to the membership of the NASD, the number of conferences on this subject matter that actually took place and the time and place and subject matter of each of these conferences.

We go further. We believe that minutes should be kept of such conferences which so vitally affect the public and the securities field and that such minutes should be made public property.

Call this function of the SEC on NASD by-laws a right of veto, a right of review, or a right of appeal, the effect remains the same. The SEC will not annihilate a creature that it had a hand in creating.

We wonder how many of the member firms who voted for these amendments were by their set-up, affected. How many of them employed salesmen, traders, etc., etc.

If the truth were known, isn't it just possible that this may be a case of the tail swinging the cat?

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How the War Dollar Was Spent

The country's victorious progress first in the two-front and now the one-front war has been paced day by day and month by month by the ever-increasing cost of those successes, according to figures released by the War Production Board, based on Department of Treasury statements.

From a monthly cost of \$4,100,000,000 in 1942 and \$6,800,000,000 in 1943, the bill increased to \$7,400,000,000 for each of the twelve months of 1944. As a result of these expenditures, the public debt, which reached a high of \$26,600,000,000 on Aug. 31, 1919, for the last war, and a low of \$16,000,000,000 for the between-war-period, Dec. 31, 1930, amounted to \$230,300,000,000 as of the end of 1944.

A study of how the taxpayer's dollar has been spent for war preparation and the conduct of the war from July, 1940 to March, 1945 has been made by WPB's statisticians. The dollar divides up as follows: The War Department spends 53 cents out of each dollar and the Navy another 29 cents, or a total of 82 cents by the two services. The division of the remaining 18 cents is of especial interest, WPB said.

Of this sum, 8 cents was spent from specific lend lease appropriations, 5 cents for the United States Maritime Commission and War Shipping Administration, and 3 cents for the Reconstruction Finance Corporation and its affiliates. Only 2 cents out of each wartime tax dollar was spent for war activities of the other Government agencies, which include the Department of Agriculture, Federal Security Agency, Federal Works Agency, National Housing Agency, Department of the Treasury, Aid to China, payments for United Nations Relief and Relief and Rehabilitation Administration, Department of Commerce, Department of Justice, Office of War Mobilization and Reconversion, Panama Canal, Smaller War Plants Corporation, Executive Office of the President (which includes WPB) and miscellaneous other Government agencies engaged in war activities.

Knighton in Roanoke

ROANOKE, VA.—Percy P. Knighton is engaging in a securities business from offices at 1223 Third Street, South West.

**Maj. Davis Vice-Pres.
Of Geo. R. Cooley Co.**

Major J. Stanley Davis has been elected a vice-president of George R. Cooley & Co., Inc., of 52 William Street, New York and 100



Maj. J. Stanley Davis

State Street, Albany. Major Davis served in both World Wars and was formerly a partner of Hemp-hill, Noyes & Co., until 1930. More recently, he was an officer and director of several important up-state banks and industrial corporations.

**John Alexander With
Pledger & Company**

Firm Has Wire to East

LOS ANGELES, CALIF.—John H. Alexander has become associated with Pledger & Co., Inc., 639 South Spring St. Mr. Alexander was formerly an officer of Cook, Miller & Co., and prior thereto was with Akin-Lambert Co.

Pledger & Co. has installed a direct wire to Strauss Bros. in New York, connecting with Strauss Bros., Chicago; White & Co., St. Louis, and Baum, Bernheimer & Co., Kansas City.

We find ourselves engaged in a constant crusade to preserve our American way of life. Of this the freedoms including of course, the freedom of trade, constitute component parts.

Daily our freedoms seem to die a little and a transfusion of militant vigilance becomes most imperative.

There will always be those who, beguiled by empty promises which they think may lead to personal advantage, will be blind to the overall welfare of all the people.

Special incursions into our liberties which we may sometimes believe have only application to the securities field have a way of getting out of hand and gradually attaching themselves to industry in general.

Not the mere expedience of today but the ideal of an all-time freedom should be the purpose of the press.

Wherever we find it, regardless of whomsoever it may affect, we shall continue to fight oppression, not only in its direct form but in its more insidious forms wherein there is a pretension of protecting the public welfare, when the net result is a curbing of public freedom and the undermining of the American philosophy of government.

We have prepared a memorandum on

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Causes of the Bull Market

(Continued from page 514)

of wealth a bull market in values would seem to have as its fundamental cause those well known economic price making factors—scarcity of things to buy and an excess supply of money.

Immediate Causes

The necessary productive effort to carry on the war has raised the index of production to the highest level in our history. The war production has had a ready market to one buyer at cost plus a profit. Many lines of civilian goods production have been curtailed and the scarcity in many necessary civilian goods is the largest ever known in our markets.

While taxes have taken a large part of the earnings from corporations and individuals still the national income has broken all records, and the savings of individuals and corporations have far exceeded any previous period of prosperity known to us. The estimated savings of individuals vary from one hundred to one hundred and fifty billion dollars.

Money and Credit Inflation

Taxation has removed a portion of the war income as indicated by the collections exceeding forty billion dollars in the past year. In spite of these taxes, however, individuals, corporations and banks have purchased more than two hundred billions of dollars worth of Government bonds since the war began. Probably half of these bonds have been purchased by the banks. As the banks have purchased bonds and expanded their deposits it has been necessary to increase the currency to maintain the desired ratio of cash to demand liabilities. In this process the total currency in circulation has risen to 26.8 billion dollars and the total bank deposits exceed 150 billion dollars. The reserve ratio of gold has steadily declined from above 90 in 1942 to well below 50. To protect the Federal Reserve Banks against the approaching deadline of the reserve ratio Congress has lowered the

**Seaverns to Join
Faroll & Company**

CHICAGO, ILL.—Louis C. Seaverns has become associated with the New York Stock Exchange firm of Faroll & Company, 208 South La Salle Street, it is announced. Mr. Seaverns is a member of a pioneer Chicago family which has been well-known on La Salle Street and in the grain trade for three quarters of a century. His grandfather became a member of the Board of Trade before the Civil War and later started an elevator business here. Mr. Seaverns and his father, the late George C. Seaverns, organized Seaverns & Co. in 1921 and in 1932 he became a partner of Abbott, Proctor & Paine. He lives in Lake Forest and has extensive business interests in Chicago. Faroll & Company are members of the leading stock and commodity exchanges and maintain branch offices in various Illinois and Iowa cities.

ratio requirements to 25% in gold against note issue and deposits.

This inflation in the currency and bank deposits has kept money abundant and cheap. The destruction of wealth plus the increase of money and credit and the scarcity of civilian goods seems to fulfill all the requirements for a vast rise in prices of anything of material value.

In addition to this unprecedented increase in money and credit, refugees who are schooled in the tactics of inflation in European countries have found the American markets where inflation and its consequences are less understood, an open invitation for the exchange of cheap money for future claims to productive resources which will have a scarcity value for some years to come.

Outlook for Civilian Production and Corporate Profits

The delaying processes of re-conversion, tooling up for production and supplying the American markets with goods demanded by the people promise to maintain scarcity in these markets for many years. It is estimated by competent authority that it will take from seven to ten years to supply the demand for motor cars alone. After World War I, we had a building scarcity and a building boom that lasted for almost a decade. The present scarcity of residential buildings far exceeds that after World War I.

On the other hand, the outlook for profits in the post-war period is not too good.

Civilian production and marketing are more complicated than war production and marketing where all production goes to one buyer according to specifications. Costs of production have risen sharply as a result of the war and most of these costs cannot be reduced for peacetime production for a long time.

While some tax relief may be expected a year or two after the war is over the Government's need for revenue will remain from four to six times as high as before the war. Post-war taxes must remain high and a permanent charge upon the earnings of industry and individuals. The price of corporation common stocks will tend to move with earnings in the future as in the past. When prices get far ahead of earnings a correction is inevitable in time. Inflation may increase earnings for some companies, but for the most part inflation will cause a decrease in earnings for corporations because of the increase in the costs of operation which accompany inflation. It is difficult for a corporation to increase its profits with rising prices for raw materials, increasing wages and rising taxes. In some instances volume can absorb these costs. But volume itself is limited by technical factors, tools, machines and processes necessary to production; and also by the well known economic law of diminishing returns with increased applications of labor and capital.

Interest Rates and Security Prices
The low money rates maintained by inflating the currency

We have a continuing interest in the following:

- American Barge Lines Co. Common
- American Service Co. \$3.00 Part. Pfd.
- Anheuser Busch Inc. Capital
- Bausch and Lomb Optical Co. Common
- Consolidated Gas Util. Corp. Common
- Hydraulic Press Mfg. Co. Common
- Mastic-Asphalt Co. Common
- New Jefferson Hotel Co. 4-6% Bonds (ST. LOUIS)
- Textron Inc. Common and Warrants
- Trailmobile Co. Common
- Western Light & Telephone Co. Common

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in order to finance the needs of the Government as cheaply as possible are the most potent forces in pushing up the prices of bonds and stocks. The low rates on Government bonds and the abundance of cheap money created the demand for all other high grade bonds at declining yields. The scarcity of high grade bonds with satisfactory yields created the demand for second and third grade bonds, preferred and common stocks. The abundance of cheap money seeking income with the help of that deep-seated desire on the part of everyone who has money for capital gains has created a speculators' paradise. Any bond or stock that would yield more than 3% on its interest or dividend return has become the subject of speculation for capital appreciation. This rise in the value of bonds and stocks and real estate is an inevitable result of the Government's cheap money policy. It is as natural for prices to be marked up to the new capitalized values of lower interest rates as it is for water to seek its level.

Unfortunately low grade securities are bid up as much and sometimes more than high grade securities for income returns and on speculative rumors.

The duration of this period of cheap money has led to the belief on the part of many people that low interest rates are permanent. A hasty examination of financial history and the capital markets should dispel that idea and place everyone on his guard who has low grade securities that have been run up in price or who has high grade securities on which the yield is lower than in ordinary normal times. In the past we have had long periods of declining money rates and long periods of rising money rates. For the most part rising money rates have accompanied business activity and prosperity and declining money rates have accompanied business stagnation and depression. From 1873 until 1896 money rates and prices in the United States tended to decline with interrupted short periods of rising money rates and prices. From 1896 until the end

of World War I both money rates and price levels were on the increase. In 1921-1923 there was a sharp decline in money rates and commodity prices. Money rates hardened and continued their advance from 1925 until the collapse of the bull market in 1929. Money rates declined sharply with the depression from 1929 to 1934. Since 1934 money rates have been kept artificially low by currency inflation.

The large demand for capital as a result of the destructions of the war and the delayed and accumulated needs for civilian purposes will require billions of new capital annually for many years. This capital can only come out of savings. To continue to increase debt by inflation and mark up the prices of existing capital will not supply the new capital needed. On the other hand, it will create great scarcity and high prices with unheard of want and poverty for lack of capital for production purposes.

Any attempt to return to sound convertible money and curb inflation will bring sharply rising interest rates and declining prices for stocks, bonds, and real estate which have been overvalued.

Corporate Security Reorganizations and the Bull Market

The promise of capital appreciation is always a force that creates speculation. In the present bull market the reorganization of the capital structures of the utility holding companies has been a great magnet for speculation.

When a utility company which is solvent is compelled to reorganize its capital structure and repudiate its contracts with its security holders, and divide up its assets, giving to bond and preferred stockholders assets of much greater value than they contracted for and taking from the common stockholders the future rights to growth for which they contracted and upon which they risk their money, disrupting speculative forces are set in motion.

For example, the prices of bonds and preferred stocks of some utility holding companies are to re-

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ceive assets valued at from 50% to 200% of the original fixed values which the security holders purchased and the common stockholders are to be deprived of a large per cent of that future growth upon which they risk their money. Since the Supreme Court agreed to review the "death sentence" of the public utility holding companies in the fall there has been extraordinary activity in the common stocks of these holding companies with the hope that these common stockholders would be able to recover the contractual rights they purchased.

Perhaps no other one force has been more powerful in fanning the speculative fever in the present bull market than the bargain hunters seeking the graft obtainable by the senior security holders in these companies.

Announcements

of personnel and office location changes deserve care in preparation. We will be glad to suggest appropriate forms suitable for such advertisements.

Consultation invited

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Pennsylvania Brevities

Pittsburgh Railways Co. Nears Clarification

According to information made public last week by Philip A. Flegler, Senior Vice-President of Philadelphia Company, the multi-million dollar muddle of traction companies comprising the Pittsburgh Railways Co. system appeared to be along the road to a practicable solution.

Mr. Flegler stated that substantial progress has been made in the last year in determining claims against the Railways Co., which has been in receivership since May 10, 1938. Such claims, which may aggregate approximately \$5,000,000 unless compromised for less, are amply protected by the \$19,000,000 cash or equivalent now held by the operating Trustees. The steps proposed by Mr. Flegler are as follows:

1. Determination and settlement of claims which rank prior to those of security holders.
2. Determination of remaining available cash.
3. Computation of such remaining cash distributable to security holders.
4. Lifting of the receivership.
5. Offer by the Philadelphia Company to purchase all publicly held securities.

As may be seen, the proposed steps are successively interdependent one upon another. Any plan which contemplates dismissal of the receivership would have to be approved by the Federal Court and any plan including an offer to purchase publicly—
(Continued on page 525)

Moyer Municipal Mgr. For Sheridan, Bogan

PHILADELPHIA, PA.—The investment firm of Sheridan, Bogan Company, 1616 Walnut Street, members of the Philadelphia Stock Exchange, announces the opening of a Municipal Bond Department under the direction of Walter R. Moyer.

Mr. Moyer was formerly manager of the municipal department for the local office of Merrill Lynch, Pierce, Fenner & Beane.

C. Newbold Taylor Named Gov. of IBA

C. Newbold Taylor, W. H. Newbold's Son & Co., 1517 Locust St., Philadelphia, has been elected a governor of Investment Bankers Association of America.

Nalle Appointed Director

Richard T. Nalle, for past 20 years vice president of Henry Disston & Sons, has been elected executive vice president and director of Midvale Co. He remains as a Disston director.

Halsey Stuart Group Offers So. Bell Issues

A large group of underwriters headed by Halsey, Stuart & Co. Inc. on July 31 offered \$45,000,000 Southern Bell Telephone & Telegraph Co. 40-Year 2¾% Debentures, due August 1, 1985, at 101¼% and accrued interest. The issue has been oversubscribed.

Net proceeds to be received by the Company are to be applied toward the retirement of all the \$45,000,000 outstanding 3¾% Debentures, due 1962. The Company intends calling the 3¼s next Oct. 1 at 103% and accrued interest.

Upon completion of the proposed financing, outstanding capitalization will consist of the 2¾% Debentures; \$25,000,000 of 40-Year 3% Debentures; \$35,000,000 of 30-Year 2¾% Debentures; and \$175,000,000 (\$100 par) Capital Stock.

Total operating revenues for 1944 amounted to \$131,264,141, and total income before interest deductions was \$15,401,796. The corresponding figures for 1943 were \$121,891,996 and \$15,915,174.

The new debentures are redeemable, in whole or in part, at 107% through July 31, 1950, and at a redemption price that decreases 1% of the principal amount for each succeeding five-year period until it reaches 101% for the five-year period ending July 31, 1980, and at par thereafter. Accrued interest is to be added in each case.

The Company furnishes local telephone service in 948 exchange areas and approximately half of its telephones are located in the 15 largest exchange areas, each having a population of 125,000 or more. These include the following cities: Birmingham and Mobile, Ala.; Charlotte, N. C.; Charleston, S. C.; Jacksonville and Miami, Fla.; Atlanta and Savannah, Ga.; Louisville, Ky.; New Orleans and Shreveport, La.; and Chattanooga, Knoxville, Memphis and Nashville, Tenn.

The business of the Company has shown an unprecedented growth for the past five years, due in large part to the pre-Pearl Harbor defense program and the subsequent war program. From June 30, 1940 to March 31, 1945, the Company gained 513,056 telephones, of which 76,203 were located at military and naval installations, ordnance plants and depots, etc. The number of toll messages was about 102% greater in 1944 than in 1939.

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Pennsylvania Municipals

By WILLIAM F. MILLS

There is a tendency on the part of a large number of investors in Pennsylvania to refuse to consider the obligations of any political sub-divisions that lie in the "coal-regions." This is due in part, to the fact that of the few Pennsylvania municipalities that have defaulted or are in default at present, the great majority are located in the anthracite mining area. However, there seems to be no evidence that any of the major civil divisions in those regions have ever failed to pay interest and principal when due, with the possible exception of a short period during the Bank Holiday in 1933 when the banks of the nation were closed and the monies on deposit could not be obtained until the reopening. This event could hardly be termed peculiar to the coal regions.

Defaults exist at the present time in these areas among those communities where the coal reserves have been exhausted or the shutting down of mining activities for one reason or another has left the particular municipality with a bonded debt and no visible means of support. In one or two instances there appears to be some evidence of bad faith. All of these sore spots, however, occur mainly in what may be termed minor civil divisions and not in the larger cities or counties.

Due to this sales resistance, in Pennsylvania at least, the obligations of the stronger coal region names are usually priced to yield more than the bonds of municipalities in other areas whose debt history and statistics are often no better. Thus, an investor free of prejudice who is willing to examine the facts and figures pertinent to the credit of the community, is often in a position to secure a more liberal return on his investment by purchasing some of the stronger coal region obligations.

Fayette County offers an interesting case in point. The County's basic economy is bituminous rather than anthracite coal mining, but in general the problems are similar. The majority of the population of the County depends upon bituminous coal mining and reserves are, naturally, being depleted, resulting in declining assessed valuations. But on examination, factors appear in the debt composition and financial management of the County that substantially nullify the heavy dependence on this one industry, as far as County obligations go. Total bonded debt of the County amounts to \$1,700,000, made up of three issues as follows:

\$100,000 4¼s 12/30/45
600,000 4¼s 2/15/49
1,000,000 4¼s 12/1/52

From the above it will be noted

Other principal underwriters associated with Halsey, Stuart & Co. Inc. in the offering are: Bear, Stearns & Co.; Blair & Co., Inc.; Otis & Co.; Phelps, Fenn & Co.; E. H. Rollins & Sons, Inc.; L. F. Rothschild & Co.; Shields & Co.; Wertheim & Co.; W. C. Langley & Co.; Central Republic Co., Inc.; Burr & Co., Inc.; A. C. Allyn and Co., Inc.; H. M. Bylesby and Co., Inc.; Coffin & Burr, Inc.; Dick & Merle-Smith; Hallgarten & Co.; Tucker, Anthony & Co.; William Blair & Co.; and Putnam & Co.

that 41% of the debt matures in about 3½ years and the entire debt is due to be extinguished in 7½ years. As of about a year ago the County Sinking Fund, made up of cash, Fayette County, and U. S. Government bonds, totaled \$1,058,519 or 62.2% of the total bonded debt. The County has issued no bonds since 1936 and no bond financing is anticipated in the foreseeable future. For the past several years current tax collections have averaged about 75% of the current levy, yet the budget has been balanced, due principally to estimated receipts being based upon experience rather than a hope. This practice could well be emulated by certain other communities whose bonds find more favor in the market.

Obviously, this little discourse is not to be construed as a blanket endorsement of all coal region bonds. Rather, it is intended to point out that not all obligations of this area are bad and that opportunities for satisfactory investment do exist in some of the stronger names in this locality. Naturally care must be taken in the examination and selection of such credits but this procedure does not differ from that the investor should pursue in all cases.

A very worthwhile service could be performed by the State bureau that has to do with municipal financial affairs by preparing a complete study of the coal region communities with recommendations for remedial action where such is needed. Such a project could do much toward alleviating the headaches that do exist and giving credit in the open where credit is due.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Joseph B. Ray to Charles H. Sulzberger will be considered on Aug. 9th. Mr. Sulzberger, it is understood, will act as an individual floor broker.

Transfer of the Exchange membership of the late Rudolph Nadel to Earl E. T. Smith will be considered on Aug. 9th. Mr. Smith will act as an individual floor broker.

Richard H. Moeller and Blanche A. Smith retired from partnership in Smith & Gallatin, New York City, on Aug. 1st.

Michael Nerlinger, partner in Jewett, Newman & Co., died on July 20th.

A. R. Bruyn in New York

A. R. Bruyn has opened offices at 60 Beaver Street, New York City, to engage in an investment business.

PHILADELPHIA TRANSPORTATION 3-6s 2039
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RAMBO, KEEN, CLOSE & KERNER, INC.
Investment Securities
 1518 Locust Street, Philadelphia
 Private telephone wires to New York and Baltimore

Pennsylvania Brevities

(Continued from page 524)

held securities would presumably have to be approved by the S.E.C. which exercises jurisdiction over the Philadelphia Company under the Holding Company Act.

It appears likely that the S.E.C. may insist on a complete reorganization and recapitalization of the properties comprising the traction system and the merger or elimination of the 53 underlying companies. The Philadelphia Company may then point out that only by the acquisition of the minority public holdings is such a reorganization practicable. Previous plans have failed (1) because the underliers were not under the jurisdiction of the court and (2) public holders were in no agreement as to the equitableness of the proposed distributions.

The City of Pittsburgh has made repeated efforts to have the court assume jurisdiction over the properties of the underliers and thus compel a reorganization, but in each court test thus far the corporate rights and identities of the underliers have been sustained.

Thus it appears that Philadelphia Company's proposals, as outlined by Mr. Fleger, may provide a workable solution. Most public holders are not concerned as to whether Philadelphia Company's offers to purchase will be at satisfactory price levels. If the receivership is lifted, debt service is resumed and a program adopted providing for the payment of back interest and dividends over a period of years, it is felt that market prices will take care of themselves.

If Philadelphia Company's plan should bog down, public holders of underlying securities have an immediate recourse in petitioning the court for a substantial distribution on account of "use and occupation."

Warner Plan Coming

A recapitalization plan involving the underwriting and sale to the public of approximately 135,000 shares of new Warner Company common stock is expected to be officially announced this month. Proceeds will be used for the retirement or exchange of the entire issue of approximately 23,000 shares of Warner Company first 7% preferred, par \$50, which carries accruals of \$34 per share as of Oct. 1, 1945. Warner second preferred, all of which is owned by Wawaset Securities Co., and present Warner Co. common will receive appropriate exchanges into new Warner common. Warner Company 1st 4s, 1959, now amortized to something less than \$4,000,000 and all owned by Penn Mutual Life Insurance Co., will be undisturbed. The company is dominant in the Philadelphia area in the production, distribution and sale of sand, gravel, limestone products and central-mix concrete. Heavy construction projects are opening up in this district more rapidly than previously anticipated and the management expects near-to-capacity business over the next 5 or 6 year period.

Second quarter net profits of Allegheny Ludlum Steel Corp.,

Brackenridge, Pa., are estimated in excess of \$1,000,000, or over 80¢ per share, compared with \$865,065, or 65¢, in 1944 period.

As of June 30, Penn Mutual Life Insurance Co. reported an increase of \$33,922,098 in insurance in force for the first half, bringing total to \$2,174,960,399, an all time high. Assets of approximately \$1,000,000,000 were also at a new high level.

Pittsburgh Coal Co. stockholders have voted to merge with Consolidation Coal Co. to form the world's largest commercial producer of soft coal. The new company, to be known as Pittsburgh Consolidation Coal Co., will have assets of \$160,000,000 and an annual output of 27,406,019 tons.

Tradersmen National Bank & Trust Co., Philadelphia, has increased quarterly dividends from 35¢ to 40¢ per share on its \$20 par stock. Directors also transferred \$570,000 from undivided profits to surplus, bringing latter up to \$4,200,000.

Pennroad Corp. reports net assets per share as \$9.27 as of June 30, against \$8.03 last Dec. 31. First half net income decline \$60,781. First half profits on securities sales were \$495,496, against \$454,010 a year ago.

A big time horse trade is on the agenda between United Gas Improvement Co. and its foster parent, United Corp. It is proposed that United Corp. surrender its 606,622 shares of U.G.I., valued at \$11,200,000 and constituting 26.1% of the outstanding stock, for U.G.I.'s holdings of Niagara Hudson Power Corp. worth approximately \$17,500,000. Differences would be adjusted in cash. By reducing the amount of U.G.I. outstanding, earnings and asset value of remaining shares would be correspondingly increased. The action would also take U.G.I. out from under United as a holding company. The S.E.C. will have to approve.

Output of Philadelphia Electric Co., last week, totaled 126,419,000 k.w.h.s., up 2.3% over the 1944 period.

Outwater & Wells Admit Andrew Spring

JERSEY CITY, N. J.—Outwater & Wells, 15 Exchange Place, announce that Andrew C. Spring has been admitted to general partnership. Mr. Spring has been with the firm for some time as manager of the trading department.

Stork to Visit Davis

Edmund J. Davis, Vice-President of Rambo, Keen, Close & Kerner, 1518 Locust Street, Philadelphia, is running home early these afternoons to his bride, formerly the Countess Marie Zavorski of Buckley Brothers. Davis is expecting his house to be heir-conditioned in January.

CITY OF PHILADELPHIA BONDS, both School District and General Obligations are available at yields which appear attractive in comparison with similar high-grade 1% bond issues.

The reconversion problem for Philadelphia appears simple; despite its large share in the nation's war work, it needed relatively few new plant facilities; and its peacetime diversified industrial activity seems assured.

In addition, it has substantially reduced its funded debt over the past several years and its financial requirements are being realistically handled.

We offer:

CITY OF PHILADELPHIA BONDS

Amount	Rate	Maturity	Price	Yield
\$ 25,000	3 1/4%	January 1, 1968/54	115.37	1.20%
250,000	3 1/4	January 1, 1965/55	117.71	1.25
250,000	3 1/4	January 1, 1970/56	117.87	1.40
25,000	3 1/4	January 1, 1965/57	119.46	1.40
10,000	3 1/4	January 1, 1958	122.29	1.30
50,000	3 1/4	January 1, 1975/62	124.56	1.55

SCHOOL DISTRICT 1 1/4% BONDS

Dated August 1, 1945			Due August 1st		
Amount	Maturity	Yield	Amount	Maturity	Yield
\$184,000	1952	.80%	\$200,000	1959 & 1960	1.05%
193,000	1953 & 1954	.90	200,000	1961 & 1962	1.10
191,000	1955 & 1956	.95	200,000	1963 & 1964	1.15
89,000	1957 & 1958	1.00	100,000	1965 & 1967	1.20

YARNALL & Co.

1528 WALNUT STREET, PHILADELPHIA

Philadelphia Telephone Pennypacker 0300 New York Telephone REctor 2-0790
 August 1, 1945.

Reserve Bank Official Amplifies Further Dealer Margin Rules

(Continued from first page)

lication of the Board of Governors of the Federal Reserve System." Such a record has been published periodically by the Board of Governors since the adoption of the regulation. A "List of Stocks Registered on National Securities Exchanges as of Jan. 31, 1943," was published by the Board of Governors in February, 1943, and cumulative supplements have been published quarterly since then, the latest supplement having been published in May, 1945. It is the practice of the Federal Reserve Bank of New York to furnish copies of such lists and supplements to interested persons upon request. If a particular stock is not included in the list published in February, 1943, or in the current supplement, a bank may treat the stock as one which is not registered on a national securities exchange.

Second, Dr. Sakolski states that "according to the rules of the Federal Reserve Board, it would be necessary for the dealer, in getting a collateralized loan from a bank, to put up a 75% margin, if there happens to be among the securities he furnishes as collateral only one listed stock among any number of different stocks that are not listed, and on loans secured entirely by unlisted stocks, whenever he is not certain whether he will use the proceeds for trading in stocks that may be listed on some securities exchange." As indicated in Section 1 of Regulation U, a loan is not subject to the regulation unless the loan is (a) for the purpose of purchasing or carrying a listed stock, and (b) secured directly or indirectly by any stock whether or not listed. But if a loan is for the purpose of purchasing or carrying a listed stock, then as provided in the supplement to the regulation

a listed stock pledged as collateral has a maximum loan value of 25% of its market value, and an unlisted stock pledged as collateral also has a loan value of 25% of its market value.

Even though a loan is secured by a listed stock, the loan is not subject to the regulation unless the loan is for the purpose of purchasing or carrying a listed stock; and the fact that a listed stock is pledged to secure the loan does not necessarily mean that the loan is for the purpose of purchasing or carrying a listed stock. For example, if a person obtains a collateral loan from a bank for the purpose of purchasing a piece of real estate, the loan is not subject to the regulation even though it is secured by listed stocks. Likewise, if a loan is for the purpose of purchasing or carrying unlisted stocks, the loan does not become a loan for the purpose of purchasing or carrying a listed stock merely because a listed stock is pledged as collateral for the loan. Therefore, if a loan is definitely for the purpose of purchasing or carrying bonds or unlisted stocks and is not for the purpose of purchasing or carrying listed stocks, the loan is not subject to the regulation even though the loan may be secured by listed stocks. On the other hand, Dr. Sakolski is quite correct when he points out that if a dealer obtains a bank loan secured entirely by unlisted stocks the loan should be treated as subject to the regulation if the dealer contemplates that the proceeds of the loan may be used for the purpose of purchasing or carrying a listed stock.

WILLIAM F. TREIBER,
 Secretary, Federal Reserve
 Bank of New York.
 July 30, 1945

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Ford Predicts Higher Living Standards

(Continued from first page)

and more competition for greater excellence in quality. These will bring more and more employment.

"The events of the last six years have shaken us from our complacent attitude. Production techniques and science have advanced tremendously. We now must translate this knowledge into practical things that can be used. And we mustn't dawdle.

"Labor should be educated so it may know and understand the problems of industry and the full benefits of cooperation. Industry wants to help in that education, given the chance. Many of the barriers between management and labor will dissolve when the chance is given.

"During the war, many people have learned, of necessity, the great importance that agriculture plays in their lives. They know the value of the land and have come to respect it. Surely they will not neglect this opportunity. Gradually, the farms, the schools and industry are becoming more closely linked. This goal must be achieved.

"We owe the men and women who fought and are fighting in this war a debt. The Ford Motor Company will not forget them. Nor will it forget those who were too young to fight, but who were forced to live through the terrors of war. The veterans of this war and these young men and women are the ones who will prevent its repetition."

Fishing Good in Canada Says Charlie Goodeve

Charlie Goodeve, partner of F. B. Ashplant & Co., 2 Wall Street, New York City, reports very fine fishing up in Canada. He has just returned to his desk after several weeks vacation looking like a million and sporting a mustache.

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Canadian Securities

By BRUCE WILLIAMS

As a result of the British elections, it would appear that Canada stands politically furthest to the right of center of all the democratic countries. Consequently, it is logical to suppose that if the shackling restrictions of increasing state control become too oppressive elsewhere, there will be a tendency for private initiative to migrate towards a country where human enterprise is not only encouraged, but where also vast undeveloped resources can be exploited to the fullest degree by venture capital and unfettered endeavor which, if successful, are not deprived of a just reward.

The recent flow of speculative capital, however, which chose as its medium Canadian internal securities, does not fall within this category. The warning given in this column at the height of the currency scare has been clearly confirmed by Finance Minister Hiesley's public statement in connection with Canada's adherence to the Bretton Woods agreements, that there is not the slightest foundation for reports of a contemplated imminent change in the rate of the Canadian dollar.

It can be anticipated therefore that Canada will enter the transitory stage of the Bretton Woods plan with her currency unit established at the current discount of 10% in relation to the U. S. dollar. Subsequently, it is highly probable that an upward revision might be dictated as a result of Canada's inevitable expansion and growing importance as a world trading power.

Thus the exchange bubble has been rudely burst and the short term speculative purchasers, who concentrated on Canadian internal bonds, are likely to endeavor to liquidate their holdings. As in the case of the U. S. Government bond market, exaggeration, especially when based on over-confident anticipation of official intentions, leads to invariable correction. The exaggeration in the Canadian situation is purely an exchange matter, and high grade Canadian internal bonds still constitute an attractive investment, particularly when any flurry in the free exchange market cheapens their cost.

Canadian government bonds on a 3% basis still make favorable comparison with lower yielding high grade domestic issues. Moreover the Canadian interest pattern has been slowly and smoothly adjusted to the universal downward trend, and the error of sudden accentuation, which results in loss of control and inducement to undesirable speculation and free-riding, has been avoided.

Turning to the market for the

past week, activity was almost at a standstill in the external section with the price level unchanged to a share easier. Although there was little turnover in internals, there was an increased pressure of offerings and the Canadian dollar in the free market broke away from the official selling point to 9 3/4% discount. Now that the speculative crisis is over, a further decline in the rate is to be anticipated. Any exaggeration in this direction, however, will afford excellent opportunities to acquire internals at attractive prices.

With regard to the possible future course of the market, the reactionary trend of the internal section and other outside influences can have a depressionary effect on the externals, but it must be borne in mind that the basic situation is unchanged and in some respects is improved. As soon as the speculative excesses in the Canadian, as well as in other markets, have been corrected, it will be possible to enter into fresh commitments under healthier conditions.

It is to be expected also that all investment markets will be subjected in the near future to controlling restraints such as the raising of the Federal Reserve rediscount rate.

Labor Market Areas

The War Manpower Commission on July 16 announced the publication of a new Directory of Labor Market Areas, which becomes available to the public for the first time through the Superintendent of Public Documents, Washington 25, D. C., for 25 cents a copy. The Directory lists all communities of 1,000 or more, as of June 1, within WMC's 301 classified labor market areas. Communities are listed alphabetically according to States. Area locations and boundaries are further defined by means of maps. Information concerning population and leading industries of labor market areas is also given. The revision supersedes the Directory of Labor Market Areas released by WMC under date of February 1944.

TAYLOR, DEALE & COMPANY

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CANADIAN SECURITIES

Government • Provincial • Municipal • Corporate

Hugh Long Co. Names Wright V.P. in Charge of Sales Promotion

The election of Richard A. Wright as Vice-President in charge of sales promotion of



Richard A. Wright

Hugh W. Long & Co., Inc., underwriter for open-end investment companies having total assets of \$62,000,000 was announced by Hugh W. Long, President, following a meeting of directors.

Mr. Wright has been associated for eight years with Carl Byoir and Associates, Inc., public relations counsel. Prior to that he was a member of the editorial staff of the "Wall Street Journal."

Fred Marshall With Lord Abbett on Coast

LOS ANGELES, CALIF.—Fred A. Marshall, well-known investment banker, has become associated with the Pacific Coast office of Lord, Abbett & Co., 210 West Seventh Street, it was announced by Gerald M. Goodman, the firm's Pacific Coast Vice-President. Mr. Marshall brings to his new post many years experience in the financial field. Entering the investment business in 1924, he has been active with leading securities firms in New York, San Francisco and Los Angeles since that date. During the past several years, he has been associated with the Bank of America in an executive capacity. Mr. Marshall has just returned to the Coast from New York, where he visited the Lord, Abbett management organization.

Lord, Abbett & Co., with offices in New York, Chicago, Atlanta and Los Angeles, is one of the largest sponsors of investment funds in the nation. The Lord-Abbett group of investing companies is composed of Affiliated Fund, Inc., American Business Shares and Union Trustee Funds, Inc., with total combined assets of approximately \$100,000,000.

Mail Service to Sweden

On July 30 Postmaster Albert Goldman announced that information had been received from the Post Office Department at Washington that effective at once, regular (Postal Union) mail and parcel-post services, except insured and C. O. D. parcel-post, are resumed to Sweden subject to the rates and conditions in effect prior to the suspension of service. Mail intended for dispatch by air to Sweden is limited to articles weighing up to one pound, says the announcement, which added: "The licensing requirements of the Foreign Economic Administration are applicable to articles for delivery in Sweden, and also the limitations imposed by order of the Postmaster General No. 17471 of April 20, 1942, as follows:

"(1) Only one parcel or package per week may be sent by or on behalf of the same person or concern to or for the same addressee;

"(2) The weight of each parcel-post package is limited to 11 pounds, the length to 18 inches, and the combined length and girth to not more than 42 inches.

"(3) Contents are limited to nonperishable items which are not prohibited in the parcel-post mails to Sweden."

CANADIAN SECURITIES



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Permits Personal Support Remittances to Italy

Personal support remittances are now authorized to any part of Italy, the Treasury Department announced on July 24. No assurance can be given, however, says the announcement, as to the out-pourment of remittances to certain areas in Northern Italy since banking and communication facilities may not yet be available. From the Treasury advices we also quote:

"Under General License No. 32A, as amended today, a maximum of \$1,000 per month may be sent through banking channels to any individual within Italy for his support and that of his family. Such remittances may be made from blocked accounts of individuals living in Italy except the accounts of subjects of Italy or citizens or subjects of other countries against which we have declared war. Persons desiring to effect remittances to individuals in Italy should consult their local banks.

"While the Italian Government has presently authorized only the Bank of Italy, the Bank of Naples and the Bank of Sicily to handle support remittances, today's amendment to General License No. 32A makes it possible for additional banks in Italy to participate in this program should the Italian authorities permit them to do so.

"The Treasury Department also announced that General Licenses Nos. 32 and 33, which authorize support remittances to non-enemy blocked countries, have been amended by increasing from \$500 to \$1,000 the maximum amount which may be remitted in one month. Attention was directed to the fact that, in view of General Ruling No. 11A, General License No. 32 does not authorize debits to the accounts of citizens or subjects of Germany or Japan who have been within enemy territory at any time since December 7, 1941."

Bush & Co. in Ft. Worth

FT. WORTH, TEX.—Bush & Co. has been formed with offices in the Petroleum Building, to engage in a securities business. Partners are Frank Warren Madrox, John Donoho and John Fred Bush.

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**Approves "Chronicle's"
View on Military Training**

**Correspondent Holds That Subsidizing the Training of
Mechanical and Practical Minds More Essential in Dis-
covering and Inventing New and Efficient Means of
Defense and Attack.**

The Editor, "The Commercial and Financial Chronicle":

Your article "Compulsory Peacetime Military Training," published in your issue of June 14, 1945 is fully in line with my views on the subject.

Training all our youth for an entire year holds out no promise that any physical or disciplinary benefits would be lasting. It might, undoubtedly, be most repugnant

to our youth who would, and justly so, resent the idea of such regimentation. At the end of the enforced training what is to hinder a large percentage of such youth, who have undergone the strict, confining and most likely, repulsive training, to quickly and deliberately undo the benefits they derived, if any.

Germany's custom of enforced military training of youth over a period of many generations has probably been the direct cause of her having become embroiled in untold disturbances during that period, besides the two recent wars, both of which she lost ignominiously. That is what enforced military training and constantly carrying a chip on her shoulder, has done for one erstwhile great nation. We should profit by that example and thus avoid the self evident mistakes of others.

With due respect and apologies to our great war leaders, what we should do, in my most humble opinion, is to maintain, permanently, a regular army of at least a million highly trained men and an equally competent and efficient navy and airforce. With this limited equipment always in readiness, which is as moderate as this nation can consider, we would be immediately prepared, should any emergency arise, to protect our interests until the necessary supplementary fighting forces could and would be gotten ready.

What is furthermore most essential is that the inventive genius as well as the keen initiative of a force of the most highly trained mechanical and practical minds in this country should be properly subsidized by a government department to keep not only full abreast but decidedly ahead of any other country in discovering and inventing new and efficient means of attack and defense.

Then the adaptation of those discoveries without delay.

That Germany expended over 19 billion dollars on armament from 1935 through 1939 was of record. Expenditures of U. S. A. for the same period was just over 5 billion dollars. The knowledge of such facts should have then decisively rung the bell in this country. The Rhineland episode, then the Austrian invasion and what followed, that should have immediately aroused us as to what was self-apparently inevitable. However, we were virtually helpless at that time, in the way of military protection and even then did not do much if anything about it. That was our setup, militarily, prior to both World Wars. We must never again be so blind and helpless to such evident probabilities of outside aggressiveness, anywhere.

For that reason, if some serious international incident should arise, we might be most vulnerable with only a loosely woven aggregation of enforced trained youth, whose military discipline might have become more or less obsolete as their years of such activities are behind them. It would appear much more practical and advantageous for West Point and Annapolis, and in fact for all military schools, to materially increase their facilities. In that strictly voluntary manner the military and disciplinary training given in those institutions to the students, would be taken and absorbed in good graces, as it always has been.

This country, now the most respected and most powerful in the world, should maintain that position, irrespective of pressure from any source, whatsoever.

What we undoubtedly should have permanently, is a well organized and highly trained army, navy and air force, fully equipped with the most modern tools of

Railroad Securities

Louisville & Nashville Common

Successful refundings in two operations, one involving the sale of \$53.8 million First and Refunding 3 3/8s at 105.88, the other \$53.1 million of 2 7/8s at 98 1/2, draws attention to the investment value inherent in the equity of this carrier.

L. & N. is a large system serving the south, operating some 7,184 miles crisscross fashion. Principal traffic component is bituminous coal. Despite a low rate, coal lends itself to mass distribution with resultant low operating costs. Accordingly, it should occasion no surprise that L & N is a highly efficient railroad property, carrying through to net operating income before Federal Income Taxes a percentage normally about 3% greater than the average of other Class I carriers.

To ensure a continuance of a high degree of operating efficiency L & N's management has spent sizable sums for both maintenance and for capital expenditures. In the period 1937-44 inclusive, maintenance expenditures totaled some \$307.9 million, equivalent to \$48,889 per equated track mile, and gross capital expenditures, \$62.3 million, equivalent to \$9,894 per equated track mile. The foregoing capital expenditures are equivalent to slightly over \$26.50 per share of common. Notwithstanding these large capital expenditures, funded debt was reduced \$34.8 million in the 8 year period 1937-44.

Reduction of funded debt referred to however, coincided with rise of gross and net earnings of the war period. Total debt at the end of 1937 amounted to \$227.6 million. At the end of 1941 the total stood at \$229.7 million. Allowing for contemplated retirements, either already made or as planned, total debt at the 1945 year-end is expected to be around \$180 million, consisting of the following:

Equipment trust certificates including conditions sales agreements	\$17,793,000
Underlying debt	55,559,000
First & ref. 3 3/8s, 2003	53,581,000
First & ref. 2 7/8s, 2003	53,119,000
	\$180,052,000

Giving effect to recent refunding, all near term maturities

warfare. We would then be ready, at a moment's notice, to back up, forcefully our position at any time our leaders detect any movement whatever which might become a threat to the peace of our country or of the world. Nothing less!

WALTER H. WEIL, Partner
WEIL & COMPANY
Richards Bldg. Arcade,
New Orleans, La.

(other than \$5,566,000 due in 1946 and which doubtless will be retired out of surplus corporation funds) will have been eliminated. Nearest maturity is 1955 and between that year and 1965, most of the System's underlying debt, unfortunately non-callable and carrying 4% and 5% coupons, falls due.

Interest charges on the \$180 million debt will amount to approximately \$5,748,600 on an annual basis. Lease rentals and interest on unfunded debt should increase this total by \$425,000, so that fixed charges should approximate \$6,173,000, marking a reduction of 40.8% from peak depression charges of \$10.4 million.

As previously indicated, gross and net earnings rose substantially during the war period. Gross revenues rose from an average of \$85 million during the 30s to \$214.7 million in 1944. Net available for charges rose from an average of \$16 million in the 30s, to \$28.5 million in both 1941 and 1942, \$29.9 million in 1943 and \$27.0 million in 1944. Applying estimated reduced fixed charges to past earnings, and making no adjustment for increased taxes, equity per share earnings adjusted for the 2 for 1 split in December 1944, rose from an average of \$3.50 in the 30s to a little better than \$9 in the war period (\$10.16 peak in 1943), an earning power well justifying distribution of a \$3.50 dividend.

Finances are strong, net current assets as of Dec. 31, 1944 totaling some \$45.6 million, not including either \$6.4 million of other investments not carried in current assets, or Excess Profits Tax Refunding bonds of \$1,142,000. Additionally, net investment in emergency facilities, amortizable on a 60 months basis, amounting to \$13.9 million or \$11.88 per common share, will doubtless be translated into working capital (to the probable extent of 60%) through the medium of tax credits.

Taxes of L & N have mounted sharply, from \$8.1 million in 1939 to \$63.6 million in 1944. Federal Income Tax burdens in 1942, 1943 and 1944 amounted to \$38.0 million, \$56.2 million and \$51.4 mil-

lion, equivalent to \$13.84, \$21.88 and \$19.74 per common share, respectively. This heavy tax burden provides an excellent cushion against the inevitable decline in both gross and net earnings in the reconversion period.

Post-war, we envisage gross revenues of some \$160-\$170 million for this carrier. Assuming a 70% operating ratio, elimination of Excess Profits Taxes, continuation of present rate of normal and surtax at 40%, and that taxes absorb 13% of post-war gross, earnings on the common should approximate \$10 per share. With refundings already consummated, a major portion of L & N's debt retirement completed, and an almost impregnable financial position, dividends might well be distributed at the rate of from \$4 to \$5 per share. L & N's past record and future prospects entitles the stock, currently selling at 57 1/4 and affording a liberal yield of 6.11% on its current \$3.50 dividend, to an investment rating and inclusion in a diversified portfolio appears well justified at this time.

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A Banker Appraises the South

(Continued from page 515)

the South's problems and its opportunities; in other words, to make a banker's appraisal of the South. With that approach in mind, let's put down the credits and the debits and see where we come out.

On the credit side, the South has an abundant supply of many raw materials—cotton, tobacco, timber, petroleum, coal, iron, natural gas, minerals, naval stores, and a wide variety of other products.

Of the country's total production, the South accounts for 95% of the cotton, 90% of the tobacco, 75% of the natural gas, 60% of the crude petroleum, 50% of the bituminous coal, 40% of the lumber, and 12% of the iron ore.

Turning these raw materials into finished products has been the basis of the South's industrial progress for decades.

While at times this progress may have seemed somewhat slow, when we review the gains over a period of years the figures provide some sense of satisfaction and pride. At the turn of the century in 1900, total industrial production in the South was valued at \$1,564,000,000. For 1939, the last year for which data from the Bureau of Census are available, this figure had increased to \$11,190,000,000, a gain slightly in excess of 700%. During the same period, the national gain was 400%, while states outside the South increased 366%.

Today, 80% of the active cotton spindles are in Southern mills and we manufacture 90% of the nation's tobacco products.

Electric power development in the South has contributed substantially to its industrial growth. In 1943, we produced 26% of all the electric power output in the country, including both water power and power from fuels.

In 1943 the South accounted for 40% of the national farm crop income.

In 1900 the South's cotton crop brought \$370,000,000; in 1943, \$1,322,000,000. Our tobacco crop of 1900 sold for \$40,000,000; in 1943, \$514,000,000.

Of special significance is the South's financial progress. In 1910 the banking resources of this region were only \$3,275,000,000; today they are more than \$23,000,000,000. Savings deposits in the same period have increased from \$575,000,000 to \$3,500,000,000. Life insurance in force increased from 3½ billions to more than 30 billions.

One of the South's leading natural advantages is its climate. It is a land of mild temperatures, relatively free from extremes of

heat and cold, with ample rainfall and an abundance of sunshine throughout the year. This provides a long growing season for agriculture and attracts workers and others who seek relief from the rigors of harsher climates in other regions.

The South's white population is composed largely of native-born stock, direct descendants of the early independent, pioneer settlers, almost wholly pure Anglo-Saxon.

It is a homogenous population. It is predominantly rural and therefore possesses those inbred characteristics of stability and resourcefulness so valuable in the development of industrial enterprises. Although not highly skilled, it has been conclusively demonstrated that Southern labor can readily be taught skilled trades.

Our people are not crowded together in large cities, but scattered in smaller cities and towns where living and working conditions are more attractive. The South has few metropolitan cities; it has thousands of small towns whose people are supported partly by industry and trade, and partly by agriculture. This pattern fits perfectly into the current trend of dispersal of large industries.

The South has excellent transportation facilities. Today 81,473 miles of railway lines criss-cross the Southern states. We pioneered in the development of concrete highways, and now approximately 350,000 miles of modern highways spread throughout the South. Twenty-one airplanes serve this region and supply direct connections with other routes throughout the nation and overseas. Through our excellent ports and harbors and our inland waterways flows a steady stream of domestic and foreign commerce.

These are by no means all of the resources and advantages of the South which give it a substantial footing on the credit side. I have simply outlined the more important of them here.

Now let's look at the debit side—some of the South's problems and needs.

We have relied too much on one crop—cotton—in our agriculture and have not had sufficient diversification in industry. Too much reliance on the growing of cotton and tobacco and the processing of these raw materials has made us too vulnerable to sudden market changes affecting these products. The result has been that farmers in normal times have had to sell much of their cotton and tobacco in an unprotected world market and buy much of

their food, machinery and clothing in a well protected domestic market.

The freight rate structure, which for many years favored producers in the East at the expense of Southern producers and shippers, has undoubtedly greatly retarded the South's development. Nothing has happened in the past 50 years of such tremendous significance as the recent decision of the Interstate Commerce Commission to correct these freight rate inequities. The beneficial results will not appear immediately, but in the next five to ten years this change in freight rates will greatly stimulate Southern progress.

It will mean that the nation's great distributing and merchandising companies will establish more distribution centers throughout the South, and finished products from Southern plants will move to markets throughout the nation on an equal basis with products from other sections of the country. The trend towards the South, which has been evident now for some years, will be greatly accelerated by this momentous decision.

The South has not produced enough foodstuffs and clothing to supply the needs of its own region, thus necessitating the more expensive procedure of bringing in these basic supplies from distant sources.

If the South is to provide a broader market for its own products, it must continue to raise the average per capita income of its people.

To meet the challenge of the future, I believe we shall need more business and industrial leadership, constantly improving management, to help develop our resources and opportunities.

We also need many more technically trained men. We have produced our share of leaders and technicians, but many of them were so good that they were lured away to responsible positions in other sections of the country. We must provide full opportunity for our own young men and also import leadership from other sections to broaden our business viewpoint and add new types of experience.

These are some of our problems and needs. There are others, but I believe that most of them are related to these main points.

Now if we add the debits and the credits, subtract one from the other, I am confident that the South will show a substantial excess on the credit side.

However, there are other factors which I think are of much greater significance than a mere enumeration of natural resources and raw materials.

Recently there have been unmistakable trends and developments which give an entirely new color to the picture of the South, factors which can greatly accelerate its progress.

The impact of war upon the South is of particular significance.

In the four years ending June 30, 1944, \$5,187,000,000 had been spent in Southern states for war production facilities alone—plants, shipyards, tools, etc. This does not include other billions spent for airports, camps, and purely military installations.

War Contracts

During the same period war supply contracts awarded in the South totaled \$25,532,402,000. They included ships, planes, guns, shells, ammunition, explosives, high-octane gasoline, textiles, synthetic rubber, food, paper and pulp, steel, aluminum and cement, to name some of the more important items.

There has been a substantial accumulation of reserves, savings, and war bonds by industry, business and individuals throughout the South.

The intensified need for foods and raw materials has forced improved methods, diversification and intensive cultivation in agriculture.

Farm mortgage debt has been greatly reduced, the use of more farm machinery has been stimulated and the farmer has been obliged to learn new techniques and better farm management.

Farming in the South is rapidly getting away from the one cash crop system and in the future we shall produce more of our own foodstuffs, especially poultry, eggs and a wide variety of dairy products.

The war production program has brought new and diversified industry to the South, developing a large supply of skilled labor. This has been one of our great needs—the training of labor in high precision work.

In the textile field the South once had the reputation for producing largely coarse goods and low quality textile products. This picture has changed materially in recent years as many refinements and improvements have been made in our textile industry. For example, we have one producer in North Carolina making fine combed yarn with counts as high as 160, which is probably the finest yarn made in this country.

Many of our mills are already placing orders for improved machinery and equipment when available.

There is a substantial program now under way for the expansion and improvement of rayon weaving facilities and the enlargement and refinement of spun rayon production. There is also taking place an expansion of woolen yarn and woolen fabric production.

In furniture manufacturing we have many plants turning out high quality furniture products, and we have demonstrated that these products will compete in durability and appearance with high grade furniture made in any other section of the country.

The paper and pulp industry is moving South where it has been attracted by huge supplies of raw materials and favorable working conditions. In 1943 we produced 47% of the nation's wood pulp and 26% of its paper and paperboard. While much of this production is in the coarser paper goods made from our pine forests, other types of paper mills are being developed in the South. We have a notable example of this in the Ecusta Paper Corporation in North Carolina which now supplies nearly all of the cigarette paper for the nation and in addition makes high grade writing papers.

There has been a tremendous

shifting of the hosiery industry to the South. In the past 10 or 15 years many plants from the middle Atlantic belt have moved into the South, and there has been a dramatic development of new plants within the area, many of which started with two to five knitting machines.

The South is rapidly overcoming its handicap in education, research and technical training. For example, in 1910 the South spent \$80,000,000 for public schools. In 1943 it spent \$511,000,000. There is much yet to be accomplished, but we are making rapid progress in raising our educational standards.

Of special interest to industry is the establishment of excellent facilities for the technical training of young men to operate and manage industrial plants. There are now being established at the North Carolina State College of Agriculture and Engineering, three foundations—the Textile, the Dairy and the Agricultural Foundations—which will do much to broaden our technical training.

In the field of research we are also making outstanding progress.

There will be ample bank credit available to meet all sound industrial credit needs in the South during the reconversion period. We have in recent years developed many sizable regional banks which work closely with local community banks, thus providing, through correspondent relationships, a combination of financial resources adequate for all needs.

As a special aid to small business, credit groups are being formed throughout the country under the leadership of the American Bankers Association. The combined credit being offered by groups already formed in the South totals over \$250,000,000 and the amount is being continually increased.

Summarizing this appraisal, the South has made great progress. We still have far to go to equal the economic attainments of some other regions, but I venture to predict that the rate of progress in the South during the next decade will equal or surpass that of any other section. I, therefore, leave with you the slogan of one of our great southern railroads, "Look Ahead—Look South!"

Four Curb Members Fined

As a result of investigations of the New York Curb Exchange Committee on Stock Transactions fines were imposed on four members of the Curb, totalling \$850.

Max Winchel and William B. Steinhardt, two specialists in a joint account, were fined \$250 each, because, in the opinion of the committee, their purchase on June 22, of 5,000 common shares of Red Bank Oil Company "was not reasonably necessary to permit such specialists to maintain a fair and orderly market in such stock, and that, in accordance with an established trading floor policy, a member of the Committee on Stock Transactions should have been consulted before the joint account effected a purchase as a dealer which would create an unusual position in the stock."

A fine of \$250 was imposed on Murray Furman "for assuming the duties of an alternate specialist in the stock of Technicolor, Inc., without being registered by the specialist in such stock and receiving the approval of the Committee on Stock Transactions."

Charles Foshko was fined \$100, the Committee "having determined that he did not use proper diligence in the execution of an order," although the name of the security involved in the action was not revealed.



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Add Two New Series to Nat'l Securities Group

Henry J. Simonson, Jr., President of National Securities & Research Corp., announces the addition of two investment series to the National Securities Series group.



H. J. Simonson, Jr.

Entitled "Selected Groups Series," one fund represents a new approach to group investment by selecting not less than 3 or more than 5 industry groups and confining portfolio issues to a limited selection from such groups. Initial selection represents the automotive, building, household and office equipment, and railroad equipment groups, all four of which have large post-war backlogs represented by pent-up demands. Changes in industry groups can be made from time to time by the investment management. The initial offering price is \$5 per share and the estimated return is 5%.

The second fund, known as "Speculative Series," is representative of a portfolio of speculative securities selected for high return. Included in the initial portfolio are preferred and common stocks that currently give a composite return to the investor of 8%. The offering price is \$5 per share.

National Securities & Research Corp. has issued five pieces of new literature descriptive of these funds which may be obtained upon request.

Although only established in the Fall of 1940, the assets of National Securities Series now exceed \$26,000,000. The recent annual report to shareholders of National Securities Series has received the "Merit Award" citation by the "Financial World" in its Annual Survey of Stockholder Annual Reports.

Would Create Federal Scientific Agency

Following the recommendations of a Senate subcommittee on war mobilization on July 22 that the United States expand its scientific research and development through the Government as well as private organizations, a bill was introduced in the Senate for the purpose of creating a central scientific research Federal agency, to be known as the National Science Foundation, a special dispatch from Washington to New York "Times" stated, July 23.

Proposed by Senators Kilgore of West Virginia, Pepper of Florida and Johnson of Colorado, all Democrats, the legislation, according to the "Times," would have these specifically declared purposes:

"To provide for an increase above pre-war levels in the Government's support of research and development in fields that are predominantly in the public interest, particularly national defense, health and medical science and the basic sciences.

"To provide for an efficient coordination of Government-supported research activities.

"To stimulate a general expansion in research by private organization and institutions.

"To promote a wider flow of scientific and technical information which may be useful to industry and agriculture and business, particularly small enterprises.

"To encourage a rapid introduc-

tion and full use of scientific discoveries and the most advanced technique and inventions.

"To encourage the training of new scientific talent through a system of research fellowship and scholarships."

Senator Kilgore pointed out that a number of bills intended to improve post-war research already were pending, adding that he would propose joint hearings before the Senate Military Affairs Committee so that all could be compared and some agreement reached.

"Discussing the specific point of research for the national defense,

Senator Johnson asserted that the Kilgore-Pepper-Johnson bill was better than some of the others because they sought to build a "fence around research," and isolate it from other scientific developments. He expressed the belief that after the war "we must have thousands of jet-plane fliers and jet-plane researchers to grasp this new principle of propulsion in all its phases and develop it."

"Senator Pepper stressed the aid to medical research proposed in the bill, saying that here, too, the country had often been dependent on German "secrets." A committee of nine would be

formed to carry on after the war the functions of the present committee on medical research of the office of scientific research and development.

"Mr. Pepper asserted that while money was "desperately needed" for improving medical research, almost more than that, security and long-term incentives and organization are needed for men and women working in this field."

"Many philanthropic organizations, he added, because of their limited funds had been able to give only short-term grants and

"bare subsistence salaries or fellowships."

Reference was made in our July 26 issue, page 437, to a proposal by Dr. Vannevar Bush for the establishment of a National Research Foundation by Congress for the purpose of promoting a national policy for scientific research and scientific education.

Harry Newton in Denver

DENVER, COLO.—Harry J. Newton is engaging in an investment business from offices in the Cooper Building.

The South's Great Future

DEAN PAUL W. CHAPMAN, of the University of Georgia, is a close student of Southern and national trends. His article in *Sales Management*, extracts from which appear on this page today, predicts a great future for the South after the war. * * *

More and more people are making similar forecasts. * * *

—Editorial from RICHMOND (VA.) TIMES-DISPATCH

UP AND DOWN THE COAST LINE

AMERICA'S NEW INDUSTRIAL FRONTIER

ATHENS, Ga.—Paul W. Chapman, dean of the College of Agriculture, University of Georgia, is author of an article in the magazine *Sales Management* in which he foresees vast postwar marketing expansion in the South.

In the article, entitled, "New Marketing Opportunities I see Developing in the South," Dean Chapman outlines 10 reasons why he thinks the South will lead the nation in the postwar upsurge to business, agricultural and industrial prosperity. They are:

1. More paved roads.
2. More airports and planes.
3. More rural electrification.
4. More refrigeration.
5. Increased use of power and machinery.
6. Increased need for farm buildings and equipment.
7. Larger farms.
8. Livestock expansion.
9. Marketing supplies and equipment.
10. Small industry equipment.

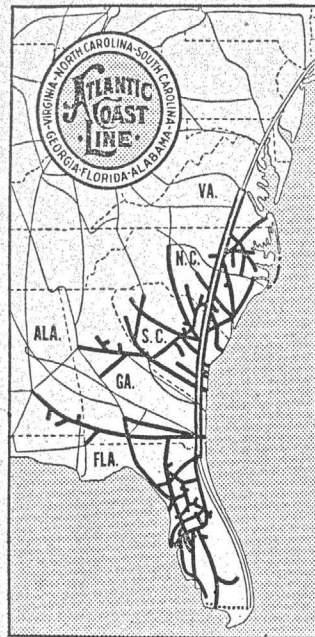
"The back of the old-time, one-crop, tenant-sharecropper system of farming has been broken," he writes. "Progress has been very

great during the past 10 years. It will go forward much more rapidly in the future. With anything like full-scale employment in the United States as a whole, the rate of economic advancement (in the South) will be phenomenal, even under adverse business conditions . . ."

As to potential Southern purchasing power, Chapman cited the fact that the Federal Reserve Bank of Atlanta has issued more new money—in relation to previous issues—than any bank in the entire Federal Reserve System since 1940; and the Federal Reserve Bank at Richmond stood second.

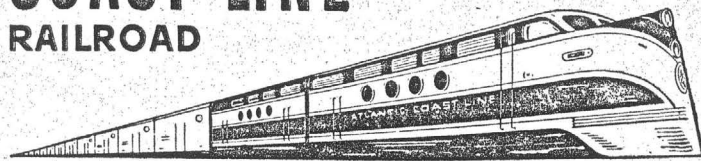
The Georgia agricultural expert listed the following industries as leading the way to a record era of Southern marketing expansion and general economic prosperity following the war:

Box factories, handle factories, post treating plants, mill-work plants, excelsior plants, naval stores, grist mills, paper mills, rayon plants, seafood canneries, feed mills, glass factories, potteries, hatteries, brickyards, cement-block plants, quarries, rug making, farm tool plants and tanneries.



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Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

Last week this column discussed century old commercial banks in America. This week century old fire insurance companies will be considered.

Oldest of the stock fire insurance companies is Insurance Company of North America. It was organized in Philadelphia's Independence Hall in 1792, began immediately to write policies and was formally granted a charter by the Legislature of Pennsylvania in 1794. Second oldest stock fire company is The Insurance Company of the State of Pennsylvania which began business Nov. 5, 1794. This is a relatively small company, however, and is under the same management as the Globe & Rutgers Fire Insurance Company.

Oldest of the New England stock companies, and third oldest in the country, is Providence Washington Insurance Company. The Providence Insurance Company was organized in 1799 and the Washington Insurance Company in 1800. They combined as Providence Washington in 1817.

Hartford Fire Insurance Company is the oldest of the Connecticut companies, and fifth oldest in the United States, having been established in the year 1810. Second oldest of the Connecticut group is Aetna, founded in 1819 in Hartford, Conn., by Joseph Morgan, grandfather of the late J. P. Morgan, Senior. A third Connecticut company to have passed the century mark is Security Insurance Company of New Haven. However, it was originally chartered as the Mutual Security Insurance Company in 1841. It became a stock company and adopted its present name in 1873.

During the first two decades of the nineteenth century four other stock companies were organized in the United States, in addition to Hartford and Aetna already noted. These were: Eagle Fire Company of New York, Albany Insurance Company, Newark Fire Insurance Company, and Fire Association of Philadelphia. Eagle Fire was founded in 1806 and is the oldest New York State insurance company; second oldest New York company is Albany Insurance which was incorporated in 1811. Oldest of the New Jersey companies is Newark Fire, which also was founded in the year 1811. Fire Association of Philadelphia began business in 1817 as a mutual association entitled "The Trustees of the Fire Association," but in addition to insuring against loss by fire it also functioned as a fire fighting organization. This dual role of fire fighting and fire insurance was maintained until 1871, in which year a paid fire

department was organized by the City of Philadelphia. The organization became incorporated in 1820 and adopted its present name in 1833.

During the next 20 years, from 1820 to 1840, at least 12 new stock fire companies started in business. In 1822 North River Insurance Company was organized; two years later another member of the present Crum & Forster group started business, viz: United States Fire Insurance Company. In 1825 The Pennsylvania Fire Insurance Company of Philadelphia was established; this was followed in 1829 by another Philadelphia company, The Franklin Fire Insurance Company of Philadelphia, named after that illustrious patron saint of thrift and conservation, Benjamin Franklin.

In 1831 The Potomac Insurance Company of the District of Columbia of Washington, D. C., was chartered by a special act of Congress. Until 1899 it operated only in the District of Columbia. The year 1832 saw four new stock fire companies launched on their careers, as follows: County Fire Insurance Company, under a perpetual Pennsylvania charter as the Fire Insurance Company of the County of Philadelphia; New Brunswick Fire Insurance Company of New Brunswick, N. J.; New York Fire Insurance Company of New York and Virginia Fire and Marine Insurance Company of Richmond, Virginia.

In 1836 the Richmond Insurance Company of New York started business in Staten Island as the Richmond County Mutual Insurance Company; in 1907 it was re-incorporated as a stock company. The year 1837 saw Firemen's Insurance Company of Washington, D. C., chartered by Congress to write business in the District of Columbia; in 1911 its charter was amended to permit business being written outside the District. Today it is licensed in four states and the District of Columbia. In the same year Westchester Fire Insurance Company of New York was organized as the Westchester County Mutual Insurance Company; in 1870 it was reorganized as a joint stock company under its present name.

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(Continued from page 517)

rockets, jet planes, and similar new weapons. The production of ammunition is scheduled to rise steadily and by the end of the year be 12% higher. All these mean continued large factory output.

Freeing Business for Expansion

Accompanying the changes in war production are the energetic efforts to facilitate the resumption of civilian goods production just as rapidly as factory equipment can be installed and labor as well as materials made available. Significant steps are being taken constantly to remove governmental control which would prevent expansion. Quotas for the production of passenger automobiles have been set at fairly substantial levels and may be raised even higher if present favorable trends continue. Before many months, output may be approaching prewar levels and predictions are being made that passenger car rationing may be ended by January. The War Production Board is now considering a request by the automobile industry to authorize a factory expansion program amounting to many millions.

Prospects are becoming more favorable for a marked relaxation or abandonment of the complex system of materials control by October 1. Production of many raw materials and partly finished goods has expanded so much that supplies of most of them are being more nearly adequate for all needs. Industry may be subject to only a simple priority system for a three-month period, with rules designed to protect such war production as is still rated as essential.

Other materials curbs have been eased. The War Production Board has granted to manufacturers of machinery and diesel engines permission to use materials which were originally scheduled for mil-

Three companies were formed in 1841. Security of New Haven has already been considered. The other two are: Camden Fire Insurance Association of Camden, N. J., and Reliance Insurance Company of Philadelphia. The Camden company was originally incorporated as a mutual, but in 1870 it became a stock company, policyholders becoming stockholders on a pro rata basis.

The last name in the stock fire insurance list to qualify as a centenarian is the Germantown Fire Insurance of Philadelphia. This company was incorporated in 1843 as "Mutual Fire Insurance Company of Germantown and its Vicinity." On June 21, 1944 its policyholders approved its conversion to a stock company with a paid up capital of \$1,000,000 and the present name "Germantown Fire Insurance Company."

According to the record, the United States today has 25 stock fire insurance companies in operation whose historical origin goes back into the history of our country more than a century.

itary contracts. They may use the materials for the production of civilian commodities whenever war contracts are terminated or cancelled. The Board has also eased its "freeze" orders on plants for certain types of sheet and strip steel. Mills are authorized to re-open their order books to small manufacturers who have low allotment ratings. The authorization is now for the entire current quarter and may be continued later.

Even the petroleum industry which produces one of the most critical items for war is being relieved of some wartime restrictions. The Petroleum Administration for War now permits the construction of certain refining, transportation, natural gasoline, and special production facilities which will be needed for peacetime output of petroleum products.

These modifications of wartime controls on business are typical of many others that are being made as soon as conditions justify. A substantial percentage of the limitation orders of the War Production Board have been removed or greatly modified. Materials and labor are still short in many places but the trend toward greater civilian output is expected to become more marked each week during the next few months.

Production 4% Below Last Year

Factories are still turning out goods in large volume and total industrial output currently is about 4% below last year. It is about 10% below the peak which was reached in the latter part of 1943 and more than double the rate when the war started six years ago. In spite of considerable variations among different lines of industry and some market short-time fluctuations, the output has been more stable during the past two years than at any other time during the war period.

The gradual decline during those many months is convincing evidence that the peak has been passed and it is not likely to be surpassed at any time soon. An extended period of readjustment is going to be needed both to get the industries changed over to different types of products and to build up the large markets which will be required to support an output of goods and services equal to that which has prevailed for several years.

Yet the history of our industrial system has been that every peak was always exceeded within ten years and usually within a much shorter time. We can look forward confidently to the future even though many serious obstacles and difficulties must be overcome before new records can be made. The period of readjustment may extend over a fairly long period and involve considerable slackening in employment as well as in production. Output is certain to remain large even in the face of these difficulties and in many lines will be but moderately lower than the high totals of last

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year. In some lines output may be greater.

Business Volume Is Up 16%

While industrial production has been gradually slowing down from the peak, the volume of business as measured by financial transactions has been holding steady and in some weeks rising. It is 16% higher than it was a year ago and over three times the rate when the war started. The rise is indicated by the much larger bank clearings and the checks being cashed, as well as by the larger amounts of currency in circulation. The quantity of money has increased 20% during the last 12 months. Probably not all of it is being used, but a substantial part of the increase represents more buying and selling than ever before.

This divergence between factory output of goods and the dollar volume of business is nearly always characteristic of a period of business expansion which has continued for a long time. It has usually in the past been followed by a period of declining business until a proper balance can be restored among prices, production, costs, and markets. No great decline is likely now, however, as long as war expenditures and the demand for goods of all kinds remain large.

Higher prices account for only a part of the present rise in business volume and for almost none of it during the past year while the price level has been quite stable. More significant have been the increased rates of spending by consumers and by Government, the faster turnover of bank deposits, the greater emphasis on services rather than on goods, and a considerable amount of speculative buying. This trend may continue for some time yet and may later have undesirable results, but at present it means that many people will be more prosperous and have more money to spend. It makes for increased demand and larger markets in many lines of business. The longer it is continued the more extensive the later readjustments are likely to be.

New Business Problems

While factories are turning out large quantities of war supplies and the major attention of businessmen must still be concentrated on keeping output as high as needed, the new problems connected with reconversion are

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19 New York
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being given greater consideration. For many plants the time for final reconversion cannot yet be definitely set, but whether it comes soon or is deferred for many months it is definitely coming nearer. Businessmen realize that at some future date they will no longer have the Government as a customer, able and willing to buy over \$70,000,000,000 worth of goods and service each year as it is now doing.

Many problems arise in making the change and in finding consumer markets even partly as large as the one they now have. The problems will be most difficult in marketing and distribution where new sales organizations must be built up and trained to sell the goods that the enlarged and expanded factories can turn out. They will also be difficult in the fields of costs for hourly wage rates have risen, probably even more than has labor productivity. The tax load on business is heavy and will remain so even if some of the very high rates are reduced.

Temporary problems may be as difficult as the long-range ones. Many war contracts will be cancelled which are only partly completed and new ones will not replace those which are finished. Any abrupt termination of these contracts reduces employment for a time unless much advance planning has been done to provide for the payments of costs which have already been incurred and for shifting quickly to other forms of production.

Large quantities of surplus materials and equipment are now on hand and even larger amounts will be on hand when military operations stop. Much of this material is made up of items that cannot be used in the Pacific War. A considerable part of it may not be suitable even for civilian use but some of it will be serviceable. The disposal of it will involve competition with business which wants to produce and sell similar goods to consumers. In some lines as in certain kinds of machine tools the situation is particularly serious and surplus items now on hand equal several years' normal production of those items.

Many war plants have been built which must be disposed of in some way that will not disturb established businesses nor provide excessive competition in the output of goods for a restricted market. Some of these plants will not be suitable for producing civilian goods and others will be needed to continue the production of military supplies for the permanent armed forces. The remainder, however, will constitute a difficult problem which every businessman will need to consider in his planning for the future. The situation with regard to markets as well as in productive capacity will be much different than it was before the war.

In the field of larger economic relations with other nations the approval of the monetary proposals worked out at Bretton Woods last year may help in stabilizing the different national currencies and provide the capital for rebuilding world trade. Because of the many conflicting interests, progress in this direction is likely to be slow, but something can be accomplished to help maintain maximum production in the post-war period. These are long-range policies which are significant, although the immediate trends will be determined mostly by other factors.

New Orders Decline

Some indications as to the immediate future trend of industrial production are given by the value of new orders received by manufacturers and the amounts of unfilled orders on hand. The recent trend has been downward and in most lines the backlog of orders is smaller than it was a year ago. New orders received last month were 15% lower than in the preceding month, and further de-

clines are indicated by the most recent preliminary reports. The decline has been somewhat greater in the durable goods lines than in the nondurable goods one. That trend may soon be reversed, however, but the increase in the production of civilian goods is likely to be greatest in the durable goods lines, such as automobiles, refrigerators, washing machines, and electric appliances of many kinds.

Trends in Leading Lines

Current trends in several lines show clearly the importance of considering what is taking place in each industry as well as the changes in the general average of all industries. While total production is holding quite stable with only gradual declines, activity in some fields has moved in the opposite direction.

The rise in building construction this year has been significant. After declining since June, 1942, the construction industry has turned upward and contracts awarded in recent weeks have been 50% greater than in the corresponding periods a year ago. The biggest increases have been in private building, especially residential. Activity is only one fourth the peak rate, however, and further expansion will be relatively slow during the next few months. Many kinds of building materials, especially lumber, are very scarce. Labor is still needed elsewhere in many parts of the country. For these reasons, some restrictions on building are likely to be continued until the situation changes. When conditions are favorable again, a considerable spurt in building will take place as the deferred demand for new housing is very large.

The petroleum industry is another line in which output is increasing and it is at a new peak, with the average daily output nearly 5,000,000 barrels. Refinery operations are keeping pace with the production of crude oil and will continue high because civilian demand as well as war demand is large. The industry is planning much new construction to meet the postwar needs for petroleum products.

Another field in which activity is lagging is the textile industry. Here the major factor is the shortage of workers, as many of them are working in the higher paid war industries. Cotton consumption by mills has been running almost 10% below last year and not much improvement is expected during the next few months. This reduced rate is considerably above the average during the prewar years, but is hardly sufficient to meet the demand from both the military and civilians. In other branches of the textile industry, output is holding up well. Production of rayon is higher than it was last year.

The steel industry is operating at around 90% of capacity, with a weekly output of around 1,650,000 tons. Current production is about 5% below the high level of a year ago.

Many of the variations in individual lines are offset by opposite trends in other lines and hence do not change the general average. They do, however, affect many businesses and require quick shifts in order to meet rapidly changing conditions. They also show how much the business trends are being determined, not so much by normal economic forces, but by Government policies. The businessman who most successfully manages his business under present conditions will be the one who understands not only economics but also the effect of many other facts than the usual economic ones.

Agricultural Prospects Are Promising

The achievements of industry in keeping production high to meet war needs have been matched by agriculture even though the percentage expansion in farm out-

put has not been nearly so great as that of factories. According to latest estimates, total crop production this year will be around 20% greater than the average of the preceding ten years. If weather conditions become more favorable, the crops may be not far below the bumper ones of 1942 and 1944.

Farmers will harvest crops from about 350,000,000 acres which is the second largest since 1932 when about 362,000,000 were harvested. The greatest increases this year have been in wheat, tobacco, sugar beets, and sugar cane. The wheat crop may set a new record with production of both winter and spring wheat totaling 1,129,000,000 bushels. That amount is a little higher than the record crop of last year and will supplement a carryover from the preceding crop which was much above average. Total supplies of wheat will be large enough to supply all domestic needs for food, for shipment abroad and for feeding to livestock if the corn crop should be less than normal.

Several other farm crops will come close to making new records this year. The oats crop may be the largest in 25 years. The tonnage of truck crops for market may exceed last year's record. Production of corn is estimated at 2,700,000,000 which is 500,000,000 below last year but considerable above average. Weather conditions this month as well as the date of the first killing frosts will increase or reduce the yield. The output of hay is expected to be very close to the record amount produced last year and bring the total feed supplies very closely in line with the number of livestock on farms.

The cotton crop is expected to

be small and probably below domestic and export requirements. Early estimates indicate a yield of a little over 10,000,000 bales as compared with the 1944 crop of 11,800,000. The consumption of cotton by domestic mills will be about 9,500,000 bales and exports may total over 2,000,000. The carryover from former crops is very large, however, and total supplies will be adequate.

Demand for Goods Is Large

To interpret present changes in business conditions and to ascertain the future course, the size and nature of the demand for goods need to be carefully considered. When buyers are eager to buy and have adequate purchasing power, their demand will maintain production and keep up business activity.

At present nearly every class of buyer has more money to spend than ever before. The most general indicator of purchasing power is that of national income, which consists largely of wages and salaries paid to individuals. These payments are now close to \$13,000,000,000 monthly, an increase of about 5% during the last year. Payments are more than double those figures during the prewar years but the increases in recent months have been much less than they were previously.

Factory payrolls have increased much more than most other classes of income. They have also kept up better than has production. They are more than three times the prewar average but a little lower than they were a year ago. Average weekly earnings of factory workers have increased 50% during the last four years.

Farmers constitute another ma-

jor section of the market for goods. Their income is becoming more stable at an annual rate of about \$20,000,000,000. The purchasing power of the farmers will be far higher than normal for an indefinite period.

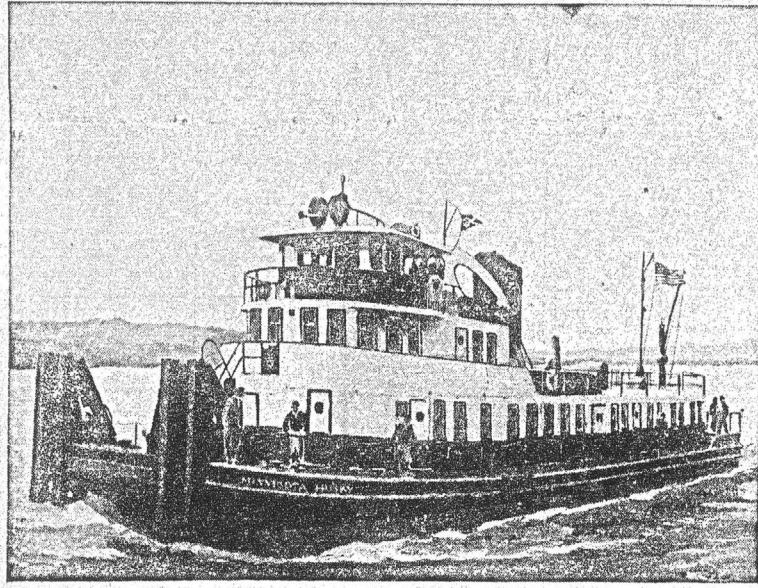
Government spending for war is being maintained at over \$7,000,000,000 monthly, but some reductions are likely before the end of the year. Any sharp decline in this spending will temporarily affect employment and civilian purchasing power.

Shipments abroad are holding up well but export trade during the first part of the year has been somewhat below that of a year ago. It was several times greater than in the prewar years and the future trend of trade abroad will be an important factor in determining business conditions in this country.

A result of this large purchasing power among many classes of buyers is that retail sales are holding up much better than production. They are now running about 17% higher than a year ago, with increases in some lines and classes of stores even greater. Store inventories are being maintained and are sufficient to keep retail trade at a high level. Prospects are favorable for an indefinite period.

Willard, Pfeffer and Lunt IBA Governors

Frank A. Willard of Reynolds & Co.; Delmont K. Pfeffer of National City Bank, and Samuel D. Lunt of Hamlin & Lunt, Buffalo, have been elected governors of the Investment Bankers Association of America to serve for three years.



THE MINNESOTA HUSKY DEPENDS ON hallicrafters

● There is only one "Minnesota Husky"... the one here pictured, but once wartime restrictions are removed, her sisters will be found operating upon inland waterways all over the world.

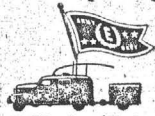
And what has this to do with Hallicrafters? Simply this: short wave communications equipment of the kind which has been developed by Hallicrafters is now—and will be—the vital communication link between ship and shore in all sorts of inland waterway operations.

The future of marine radio telephone has been assured by the FCC's recent allocation of a portion of the radio spectrum to this important service. For innumerable industries improved radio communications will mean tremendous economies in time and money. And for Hallicrafters, the long established and recognized leaders in this field, it will mean ever expanding markets.

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Affiliated Fund, Inc.
Prospectus upon request

LORD, ABBETT & Co.
INCORPORATED
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Mutual Funds

Outstanding Growth

During the first half of 1945 net assets of Group Securities, Inc., increase to \$63,333,775—a gain of 55%. Net assets of this company have considerably more than doubled in the 12 months ended June 30, 1945.

In a letter accompanying the semi-annual report, the sponsor, Distributors Group states:

"During this period approximately 400 investment dealers in 38 states sold over \$26,000,000 of Group Securities—an amount equal to last year's total sales. This is the fourth consecutive year in which dealer sales have run at double the rate of the preceding year."

New Format

Lord, Abbett has issued a complete set of sales folders on the five Union Trusteed Funds, American Business Shares and Affiliated Fund in a new pocket-size kit which devotes one page to each folder. This is a handsome job and certainly well designed for easy presentation by the salesman.

In a recent issue of Abstracts, Walter Scott announces the "Lord, Abbett A-B-C Investment Programs," each designed to provide a dividend check every month in the year. These programs include three distinct types. One is labeled "aggressive" and is based primarily on common stocks. Another is designated as "balanced" and is divided equally between stocks and bonds. The third, a "conservative" combination, is based primarily on bonds.

The latest issue of Abstracts gives a comparison of American Business Shares' market performance with the Dow-Jones Industrials and Dow-Jones Composite Averages. For the four-year period from June 30, 1941 to June 30, 1945, except for 1942 "when the management's change-over from a policy of caution to one of optimism could not be timed as exactly nor executed as quickly as the turn-about in the Averages," American Business Shares did better than the Dow-Jones Averages. For the full four-year period the record is as follows:

	6/30/41-
	6/30/45
American Business Shares	+71.6%
Dow-Jones Industrials	+34.2%
Dow-Jones Composite	+54.3%

Low Priced Shares

A Class of Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS GROUP, INCORPORATED
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REPUBLIC INVESTORS FUND Inc.

Founded 1932

W. R. BULL MANAGEMENT CO., INC.

Distributors

15 William St., New York 5



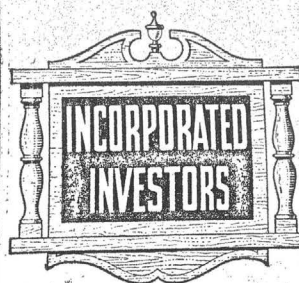
NATIONAL SECURITIES SERIES

Prospectuses upon request

National Securities & Research Corporation

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Shares of Capital Stock of



Prospectus of Incorporated Investors may be obtained from investment dealers or

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The Keystone Corporation
of Boston

50 Congress Street, Boston 9, Mass.



Investors Mutual, Inc.

Prospectus on request from Principal Underwriter

INVESTORS SYNDICATE

Minneapolis, Minnesota

Incorporated Investors

In the quarter ended June 30 total net assets of Incorporated Investors increased from \$62,305,804 to \$73,723,428. This excellent showing was due in part to an increase in shares outstanding from 2,505,844 to 2,561,646. However, the major portion of the gain resulted from an increase in the market value of assets held.

This fact is emphasized by William A. Parker, President, in his letter to stockholders which quotes from a recent issue of Barron's Weekly showing that during the 5½ year period ended June 30, 1945, of 33 investment companies compared, "Incorporated Investors showed the largest gain with an increase in net asset value per share of 108%. Securing capital gains has been an important objective of the management of this investment company and thus was of material assistance in making this showing."

George Putnam Fund

Net assets of George Putnam Fund increased to approximately \$13,904,000 on June 30, 1945, as compared with \$12,350,000 three months ago. Number of shares outstanding rose from 816,347 to 872,529. On June 30 investments had a current market value of approximately \$2,238,000 in excess of cost.

The report of the Trustees discusses the dividend policy of this fund under the caption "A Steady Living Return." It has been the practice of the Trustees to supplement the regular income of the fund with distributions from realized gains or surplus. The dividend policy "looks toward reasonably steady annual payments" and the Trustees express the conviction that the fund will continue to pay a reasonable return on the money invested in it.

Innovation

Hugh W. Long & Company's current issue of The New York Letter, in addition to the usual comments on developments in industry and in the securities markets, contains a welcome innovation. The industries whose prospects appear most attractive to the management for current employment of funds are listed. They are building, metals, rail, rail equipment and steel.

Good for Business

National Securities & Research Corp. devotes the current issue of Investment Timing to a discussion of the new Secretary of the Treasury. "All in all," states this service, "the appointment should make for more businesslike administration and better relations with Congress, though business firms may be more pleased with the change than individuals." . . . The intermediate trend of stock prices as seen by Investment Timing is regarded to be still downward.

Mutual Fund Literature

National Securities & Research Corp.—Revised prospectus on

First Mutual Trust Fund dated July 18, 1945. . . Keystone Corp.—Current issue of Keynotes; folder showing security market performance for the six months ended June 30, 1945. . . Walter L. Morgan & Co.—A memorandum on Wellington Fund, "The Outlook for Commodity Prices." . . Selected Investments Co.—Memorandum on Selected American Shares, "Purchasing Power of Trust Investments"; current issue of "These Things Seemed Important." . . Distributors Group—Current issues of Aviation News and Railroad Equipment News. . . Lord, Abbett—Current Investment Bulletin on Affiliated Fund and Union Common Stock Fund.

OUR REPORTER'S REPORT

Ordinarily July is the big vacation period in the underwriting business and most firms make it a point to get their key men away then in order to have them back on the job and fresh when the pick-up begins in August as it usually does.

But the war has changed many things in recent years and on this particular occasion, the Treasury's huge Seventh War Loan served to bring about a shift in the habits of investment bankers as concerns their resting up period.

This time there is every indication that the current month will fall heir to the slowdown which normally is characteristic of the new issue market in July. The vast amount of business which piled up during late May and through June when the industry was working all out for the Treasury's big drive, made July the biggest month of the year, by far in point of total amount of new issues handled.

Rough calculations put the aggregate of new financing brought to market last month well above the billion dollar mark. Practically everything in the way of projected refinancing, which was in the cards, part of it expected to hold over until this month, went through.

Now there is little in sight before we round out the summer with the passing of Labor Day. And, accordingly, those bankers and their staffs who had to forego a holiday in July are now busily packing for a fortnight away from the desk. The exodus is substantial as can be ascertained from an effort to reach some of the regulars who have taken off for a spell.

Southern Bell a "Quickie"

Marketing of the Southern Bell Telephone Co.'s \$45,000,000 of 2¾% 40-year debentures made it

DIVIDEND NOTICE

NEW YORK STOCKS, INC.

The following distributions have been declared on the Special Stock of the Company, payable August 25, 1945 to stockholders of record as of the close of business August 3, 1945.

	Reg-ular	Ex-tra	To-tal
Agricultural Series	\$.07	\$1.10	\$1.17
Alcohol & Dist. Series	.11	.00	.11
Automobile Series	.08	.00	.08
Aviation Series	.10	.00	.10
Bank Stock Series	.08	.00	.08
Building Supply Series	.05	.00	.05
Business Equip. Series	.10	.00	.10
Chemical Series	.07	.00	.07
Electrical Equip. Series	.07	.00	.07
Food Series	.11	.00	.11
Government Bonds Series	.00	.00	.00
Insurance Stock Series	.04	.00	.04
Machinery Series	.08	.05	.13
Merchandising Series	.09	.10	.19
Metals Series	.05	.00	.05
Oil Series	.10	.20	.30
Public Utility Series	.03	.10	.13
Railroad Series	.07	.15	.22
Railroad Equip. Series	.06	.00	.06
Steel Series	.07	.00	.07
Tobacco Series	.10	.00	.10
Diversified Investment Fund	.19	.00	.19
Diversified Speculative Shares	.05	.00	.05

HUGH W. LONG and COMPANY

Incorporated

National Distributors

48 Wall Street New York 5, N. Y.

plain once again that size dictates pretty much the number of syndicates which will be in the field for a given issue.

Approximately one-quarter the size of the American Telephone offering of a week ago, Southern Bell's undertaking was large none-the-less as deals are measured.

The same two banking groups competed with Halsey, Stuart & Co., Inc., this time taking the issue, paying 100.5599 for the debentures. Morgan Stanley & Co.'s group offered to pay 99.819. Re-offered at 101½ with only a ½ point spread, the issue was disposed of within half an hour and ruled at a fractional premium soon thereafter.

But the offering group consisted of 182 members which assured the ultimate in distribution.

Southern Pacific's Plans

Those who have been looking over the Southern Pacific's re-funding picture are wondering whether the company might not find it advisable to set up several series of new bonds rather than attempt to run the whole job through at once.

The refinancing is expected to involve some \$125,000,000 of new securities, and in such circles it is pointed out that these enormous deals have been a bit sluggish recently.

The big carrier is expected to call for bids to be opened about the middle of September, thus affording ample time for exercising its right to call the outstanding bonds by Oct. 1 next.

Hitting a Snag

New York State Electric & Gas Corp.'s proposal to float \$25,000,000 of new securities to refund certain outstanding debts as part of its recapitalization plan, ran into at least temporary delay in hearings before the Public Service Commission.

The company seeks to sell \$10,000,000 of 3% first mortgage bonds and \$15,000,000 of cumulative preferred stock. But Commissioner Brewster, directing the proceedings, held that substitution of the preferred stock for bonds would bring the company's debt under the 60% level by only a small margin.

And he held that if the stated value of the common stock were reduced by only some \$1,500,000 such margin would be wiped out. He held, therefore that the plan would not accomplish the purpose of actually making the bonds available for savings bank investment, judging by the history of the common stock.

Dangers of War-Time Fiscal Policy

(Continued from first page)

ly been met and such a huge surplus of certain types of material has been accumulated that a reduction in future production may be anticipated. In spite of this, however, in comparison with the expenditures of any pre-war year, the annual expenditures of the immediate future will continue to be enormous.

Who of us has not been told again and again by radio, by mail and by magazine and newspaper advertisements that the government must secure command over sufficient man power and material to prosecute the war to a speedy and glorious victory? This we know; but we have been told little of the impact that the method used to secure this control will have upon our present and future economic life. In fact, the accuracy of the little we have been told may be open to question. Just because statements bear the mark of officialdom does not guarantee their accuracy; they must withstand the scrutiny of straight thinking and sound reasoning.

Economic Consequences

Many of us have wondered, and are still wondering, about the economic consequences, both immediate and future, of the methods used in financing the war. We are interested in these, not as a New Dealer or anti-New Dealer, not as a Republican or Democrat, not as a member of any profession or creed, but as an American citizen interested in the greatest possible welfare of the country. Let us, then, just as an interested American citizen, interested because the consequences must be borne by him, make a little investigation into the effects of the fiscal policy pursued by the federal government over the past few years.

It is needless to repeat that the federal government has piled up a huge indebtedness. Some may not know, however, that this has not entirely accumulated since the increased expenditure for defense and war. The federal indebtedness was about \$16 billion in 1930. During World War I the federal indebtedness increased from about \$1 billion to about \$26 billion of which \$15 billion, or more, was extended in credit to our allies, little of which was ever repaid. Most of the decrease of about \$10 billion came from treasury surpluses.

In every year since 1930 the federal government has operated at a deficit ranging from half a billion dollars in 1931 to nearly \$56 billion in 1943. The accumulation of these deficits places the present indebtedness at well over \$250 billion, or a per capita indebtedness of nearly \$2,000.

Significance of Debt

So much for the facts. What is their significance? It is in an attempt to answer this question that we must bring to bear past experience, observation and reasoning.

Two hundred and fifty billion dollars is an enormous sum! But enormous in relation to what? An absolute amount may mean very little; its significance begins to appear only when different relationships are portrayed. A man six feet in height is a tall man; but only in relation to a man of average height. He would be short in comparison with a man seven feet tall. Let's not be too critical or complacent with absolute amounts. What may be large to one person or under one condition may be small to another person or under another condition.

One important consideration in regard to borrowing is the relation of the deficit to the total expenditure. If the deficit were but 10% of the expenditure, then the resort to borrowing, what-

ever negligible; if 75%, then it would be exceedingly important. For the fiscal year 1942-43 the federal government raised less than 30% of its entire revenue from taxation; in both the United Kingdom and Canada taxes provided about 50% of the revenues of the central governments. For this same year, total taxes in the United States took about 24% of the national income while in the United Kingdom and Canada the percentages were 42 and 35 respectively. Not only has the relative emphasis upon taxation been much greater in these two of our allies, but statistics show that the relative increase has been much more marked.

From experience, from observation, and from research the preponderance of opinion of fiscal authorities is that, to the greatest extent possible, a war should be financed from current taxes while borrowing should be used only as a last resort. In other words, the disastrous impact of war financing upon the economy of the moment, as well as upon that of the future, varies directly with the extent of reliance upon borrowing and indirectly with reliance upon taxation. Our fiscal administrators have strayed farther from the weight of authority than have those in Canada and the United Kingdom. Perhaps they are anxious again to prove that "the only thing that history teaches us is that we do not learn from history."

Perverting the Truth

In justification of heavy borrowing we have been told that the preservation of the American way of life will be an asset to future generations; these, therefore, should help pay for the war by redeeming the bonds which we buy. Where can we find any greater perversion of the truth? We fight a war with the energies of men and with guns, planes, ships and munitions in existence

now; not with those to be found in the future! We now are giving these up to war and since we have dedicated them to this end we cannot at the same time use them to provide other satisfactions. To buy a bond does not unload the burden to the future; we cannot buy the bond and the radio.

We have been told, too, that people would not be able to stand any heavier taxes. This has been sort of an alibi or weak excuse by those in authority when they have been importuned by the press and fiscal authorities to resort to heavier taxation. Certainly no reasoning can support the alibi.

As noted above, we don't fight a war with money but with men and material. We don't use up money during a war; we have a lot more at the end than at the beginning. The government simply takes services and materials from us with which to fight the war; otherwise we would continue to have them. Taxation and/or borrowing is simply a device by which to accomplish this end. If we can stand to give up what a billion dollars will purchase, it makes little difference in the present burden whether we do it through the purchase of bonds, or through the payment of taxes. It would make little difference in the future burden, either, if the same people who buy the bonds were also taxed to pay them.

What Sacrifices?

We are sure that we have felt the sting of shortages and rationing; that we have been making real sacrifices. Certainly the sales of our retail stores must have experienced a real slump in recent years. Evidence from statistics compiled by the Bureau of Foreign and Domestic Commerce throw some light on such sacrifices and sales.

In 1943 all retail stores of the country sold \$62.9 billion worth of goods as against \$57.8 billion in 1942 and \$55.6 billion in 1941. Of course, prices have increased, but on the basis of the value of

the dollar for 1935-1939, the sales were still greater in 1943 than in 1942.

Sales of most durable goods such as automobiles, building materials and home furnishings should and did show some decline, but these were more than offset by the increase in sales of non-durable goods. Of course we buy scarcely any new clothes; nevertheless, we spent \$6.3 billion for them in 1943 and only \$5.2 billion in 1942. Certainly we patronize eating and drinking places occasionally, but how could we have spent \$17.0 billion in them in 1943 and only \$15.8 billion in 1942? The need for more bromides may account for the increase from \$2.3 billion to \$2.7 billion spent for drugs. To know the composition of "general merchandise" might help us to explain the increase from \$9.0 billion to \$9.9 billion spent for this item.

Honestly, now, have we really sacrificed and suffered unduly through a depleted supply of food, clothing and shelter? Rather, isn't it "truly remarkable with what equanimity we are willing to endure the sacrifices of our neighbor"?

Let's look at the claims for the borrowing program. They are set forth in many places, but we may as well observe the heading of the pamphlet prepared by the Education Section of the Treasury Department to furnish ammunition to solicitors in the Sixth War Loan Drive. Here is the heading: "War Financing—For Peace and Prosperity. How War Bonds Help Speed Victory. Check Rising Prices, Insure Post-war Prosperity."

Just why bonds possess any peculiar trait to help speed victory is difficult to comprehend; but let's let that go and look at the anti-inflationary aspects of bonds. All indices on price changes show that we have had a marked rise in prices over the last few years; they are not in agreement, however, on the extent of the rise. It must be remembered, moreover, that prices

paid on the black markets do not enter into the calculation of price changes.

Reason for Price Increases

How could we have other than rising prices? The amount of income which the people have received has outrun the amount of goods available for purchase by between \$30 billion and \$40 billion a year. Little attempt has been made to absorb any of this surplus. If people have surplus funds they are going to spend them; you can't continue to force water into a barrel and not burst the barrel at some point. Have those in authority no responsibility for this surplus of funds in the hands of the people? Let us see what at least one of them says.

In an address before a symposium conducted by the Tax Institute on Feb. 8, 1944, Mr. Marriner S. Eccles stated that it is absolutely essential that further price increases be prevented. He suggested that this be accomplished through increased taxes, wage controls, rationing and price controls. Before the end of his address, however, he proceeded to show to what extent the banks had absorbed government bonds and that such absorption had resulted in a corresponding increase in our money supply.

In the hearings before the Committee on Ways and Means, 1943, evidence presented showed that, on June 30, 1940, the Federal Reserve banks owned \$2.5 billion of federal securities while on June 30, 1943, they owned \$7.2 billion. The commercial banks owned, on comparable dates, \$16.5 billion and \$52.1 billion. The total cash assets of the public between these dates increased from \$38.7 billion to \$71.8 billion, the most marked increase being in bank deposits.

These facts are rather weak proof that borrowing has been anti-inflationary; from any angle the conclusion must be just the opposite. Through the channels of the banking system those in authority have deliberately ex-

(Continued on page 534)

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

\$45,000,000

Southern Bell Telephone and Telegraph Company

Forty Year 2¾% Debentures

Dated August 1, 1945

Due August 1, 1985

Price 101¼% and accrued interest

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

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PUTNAM & CO.

July 31, 1945.

Dangers of War-Time Fiscal Policy

(Continued from page 533)

panded the amount of money available for the purchase of goods. A little thought might indicate the wisdom of preventing the existence of this surplus rather than to try to cure the problems which have arisen from it. Had we but seen the wisdom of the old adage, that an ounce of prevention is worth a pound of cure, and have acted accordingly, then those charged with the administration of rationing could have devoted their attention to priorities and a fair distribution of available goods without being hampered by rising prices and black markets.

Evils of Borrowing

Not only have the evils of excessive borrowing been deliberately ignored, but many unwarranted claims have been made for benefits to be derived from this method of securing funds. On every turn and through medium after medium we are asked to back the boys abroad and show our appreciation for the tremendous sacrifice they are making by buying all the bonds we can, and then an extra \$100 bond. But what is the final result? The fact is that funds for the payment of interest on the bonds and their redemption can be secured only from the levy of taxes in the future. No suggestion has been made to exempt war veterans from the payment of such taxes. What could be more ungrateful than to say to these boys that, in the future, we expect you to help to pay for the material which is now being furnished to you? To secure funds through borrowing does just that. Once we become aware of this, much of the sales bally-hoo for the purchase of bonds becomes pretty much an empty gesture.

Another reason why we should buy bonds, we are told, is that thereby we are creating a backlog of savings with which to purchase post-war goods, to start or expand business enterprises, to construct a home, or to buy many things which are not now available. Not only will we have this backlog of purchasing power, but the goods which it will command will furnish jobs for our boys when they return.

In a recent address in Los Angeles Mr. Morgenthau pointed out that Series C notes constituted a substantial part of the reserves of corporations for reconversion and post-war development. He went on to say: "It is clearly advantageous not only to the corporations but to the whole economy that these reserves be liquid. The corporations thus know that the money [boldface mine] will be available and without loss whenever they need it. When the proper time comes they can proceed at full speed not only with their conversion but with any expansion plans they may have."

Bonds Not Money

But will it be as simple as that? A little scrutiny casts a considerable cloud over this bright picture. The simple fact is that these securities are not money. After World War I many sellers were more than willing to accept bonds in exchange for merchandise. Many advertisements stated: "Liberty Bonds Accepted at Par." This was because the interest rate on the bonds was higher than the current rate of interest. We need to expect no such advertisements following this war; in fact, considering the low rate of interest which they bear, one wonders who will accept federal securities for anything. To redeem them in legal tender currency, or to make them legal tender, is the only way to make them acceptable. Such currency can be secured only through taxation or a further extension of credit. These billions of dollars of demand liabilities

can be the source of considerable embarrassment since, after the war, we will be anxious neither to be taxed nor to extend additional credit to the government.

The most invidious claim for public borrowing is that, not only does it place no burden upon the people but, as stated in the literature from the Treasury, it creates prosperity. The statements and practices of the Administration, once it got under way, differ materially from the following statement of one qualified to speak for the Administration: "If the nation is living within its income, its credit is good. If, in some crisis, it lives beyond its income for a year or so, it can usually borrow temporarily at reasonable rates. But if, like a spendthrift, it throws discretion to the winds and is willing to make no sacrifice in spending; if it extends its taxing to the limit of the people's power to pay and continues to pile up deficits, then it is on the road to bankruptcy."

The almost overnight shift from this logical and defensible position to the one that a public debt is no burden, and that its size is of little consequence, is difficult to understand. The application of the borrowing and "pump priming" philosophies began in the early years of the depression and has continued to the present. It seems the pump still needs repair; but to turn attention to this as an alternative to continuous priming has been given no serious consideration.

Economic Legerdemain

The administration has acted upon the stated policy that a debt of any magnitude can be supported through the functioning of an economic legerdemain by which a social income of any desired size can be pulled from the hat of the credit structure. What a lack of understanding of economic verities! We are presumed to eat and wear pounds and gallons and yards; the things which these measure are of no significance. We increase our income four-fold by calling a quart a gallon; twelve-fold by calling an inch a foot; and sixteen-fold by calling an ounce a pound. It would be a bit perplexing to most of us to observe that we are wasting away because of a diminished food supply and that our clothes are becoming thread-bare, yet the statistics prove to us that we have an enormous increase in wealth and income.

As if, however, we need some assurance that the present enormous debt should cause us to worry, Mr. Ickes twits us for having shown any concern over it. Why, he insists, the size of the debt is a mere pigmy in comparison to our national wealth of \$12,023,000,000,000! A chance to inspect the work-sheets by which he arrived at this total would indeed be enlightening; what an insight into the future they should reveal!

Production Creates Real Wealth

Many of those in high places speak glibly of juggling the social income to accomplish some end. The fact is that the only increase in the social income which amounts to a tinker's damn is an increase in pounds, gallons, bushels, yards and hours of service; whether we measure these by \$100 or \$200, in feet or yards, in quarts or gallons, is of little significance. A real increase can come only from an incentive to work and the maintenance of an economy in which work is productive and in which the return from work is secure. It cannot come from any artificial manipulation. It is time that every intelligent American register disapproval at having his intelligence continually insulted by such eco-

nomie frauds as he is asked to accept and sponsor.

We have been assured by a spokesman for the Administration, moreover, that since the debt is an internal one it creates no burden; we owe the debt to ourselves and it is therefore merely a matter of bookkeeping. He said: "Our national debt, after all, is an internal debt owed not only by the nation but to the nation. If our children have to pay interest on it, they will pay that interest to themselves."

Here we have the simple millennium in fiscal affairs—a burdenless method of finance. It is so simple that any intelligent person must wonder if there must not be a "catch" in it somewhere. To follow the contention to its logical conclusion exposes its absurdity. If a debt is burdenless since we owe it to ourselves then, by the same token, since we pay taxes to ourselves, they likewise entail no burden. To borrow, then, is just surplus and wasted effort. If through some error, borrowing has occurred, outright repudiation would be the most logical method of procedure since, after all, this would be cancelling a debt which we owe to ourselves.

The Big "Catch"

The big "Catch" in the above position is that the "ourselves" to whom the government owes the debt is composed of more than 130,000,000 individuals, divided into all sorts of classes, and upon whom the economic consequences of the debt fall very differently. Even if we pay no more than the interest, this charge can scarcely be less than \$5,000,000,000 a year—a sum considerably more than the entire federal expenditures in 1930.

Upon whom shall the taxes be levied to secure funds to pay the interest and the principal, too, once we begin to reduce the indebtedness? The diversity of ownership of bonds changes following the emergency and, to secure revenue to make payments, the tax system may be easily manipulated to favor one social class at the expense of another. Certainly the purchasers of the bonds do not expect taxes for interest and redemption to be levied upon them in proportion to their holdings of bonds. Suppose, in fine print, each bond carried the notation that "principal and interest on this bond will be paid from taxes levied upon the holder of the bond." In this case a tax receipt would be preferable to the bond. But why have we not been truthfully informed that taxes will be levied for this purpose? Why have we not been told that "after the war, if you have anything to tax, we will take as much of it as necessary to pay the interest and principal on bonds; if you own some, you will get some of it back; if you don't, we will pay it to some one else?"

It must be evident that to borrow does not eliminate the problem of taxation any more than installment buying eliminates the payment for purchases; it merely postpones and intensifies it. It intensifies it because people do not understand why they must continue to pay "war" taxes after the war has passed. It intensifies it because of the antipathy aroused when one class is taxed to pay interest and principal upon bonds held by another class. In fact the real crux of the problem of public borrowing exists in the formulation of a tax structure to finance debt services.

Fiscal Confidence Impaired

The emphasis which has been placed upon these obviously indefensible aspects of public borrowing tends a priori to shake one's confidence in any fiscal proposal which originates from the same source. "The truth itself is not believed from one who often has deceived."

"In time of war prepare for

peace" has special significance to the fiscal policy because its influence will be felt in our economy far beyond the end of hostilities. The Treasury seems proud of the fact that "we have financed this war at an average rate of slightly less than 1 3/4%. This compares with an average rate of about 4 1/4% on the securities issued to finance the last World War." In fact, it is even better (or worse) than this since the income from present issues is subject to much higher taxes than was that from bonds of World War I. What does this extremely low rate of interest augur for our future economy?

Perhaps the Treasury assumes too much credit for inaugurating the low rate of interest. The fact is that, for the last ten or more years, the current rate of interest has been extremely low. This has influenced the rate at which the government could borrow rather than any policy of the Treasury. In borrowing for every other war in which we have engaged the current rate of interest was abnormally high. After the war there was a tendency for this rate to decrease; a fact which enhanced the position of government bonds in the market.

Post-war Interest Rates?

What may we expect of the current rate of interest after this war? While predictions are dangerous, we would naturally expect it to increase towards what has been recognized as the normal rate. The rate of interest is determined by the relation between the amount people are willing to save in comparison with the demand for funds. It is an established price determined by the supply of funds in relation to demand for them just as the price of corn is determined by the same process.

Never in previous years of a normal developing economy has a rate of interest of 2% supplied an amount of funds adequate for the demand. We have no reason to assume this will be true after the war. Neither have we any reason to assume that a rate of interest determined by pressure and by an appeal to patriotism will continue to prevail after the emergency has passed. What then may we expect if the market rate of interest begins to rise and reaches perhaps 4 per cent?

Every one knows that the par value of a security is of little moment; the important factor in determining its value is its rate of return in relation to the market rate of return. A \$100 security bringing a return of \$2 will sell at par if the market rate of return is 2 per cent, but for only \$50 if the market rate is 4%. In general, the value of fixed income producing investments will vary inversely with the market rate of interest. It will take an investment of only \$1,000 at 4% to produce an income of \$40 but \$2,000 at 2%. Conversely, an income of \$40 will represent a value of \$1,000 when the market rate of interest is 4%, but one of \$2,000 when the rate is 2%. In other words, we capitalize the income at the market rate of interest to arrive at the value of income producing property.

Banks, insurance companies and other institutions have invested billions of dollars in government bonds payable in the distant future. With an increase in the market rate of interest the value of the assets represented by these bonds will begin to fall. The mere fact, moreover, that the banks have invested so heavily in these bonds lessens their ability to extend credit to individuals who may want to borrow for business expansion. It is not difficult to foresee that, as the bonds held by the banks begin to shrink in value as the market rate of interest increases, the safety of the entire banking structure, as well

as that of other business organizations, may be imperiled. This may indeed be more significant than the great stock pile of liquid assets to which the Treasury has pointed with pride.

A Dangerous Course

Some, indeed, have sensed this danger and have suggested that the government and/or the banks freeze the rate of interest at or near 2%. To do this would disrupt values which have remained relatively stable over the years because the rate of interest has remained relatively stable. Productive real estate has had a value determined largely by the capitalized income. The same has been true of bonds, mortgages and shares of stock. The reason these values have not greatly increased with the prevailing low rate of interest is because such a rate has been considered a temporary phenomenon. The minute we become convinced that the rate of interest is going to remain at 2%, just then will income producing property go through a process of revaluation. Try to visualize the disruption on the organized exchanges; try to calculate the impact upon labor and industry; toss a pebble in a lake and try to calculate the effect upon the different particles of water! Parenthetically, a long while ago, to charge or take interest was made illegal; those who think black markets developed with the NRA or OPA should investigate what happened then.

Not every one seems to believe that the bulwark of a stable post-war economy will rest in vigorous and prosperous private enterprise. Intentionally they would use the devices of the war economy to strengthen the hold of the government upon our post-war economy. Note what the spokesman for the Treasury says in his literature to stimulate bond sales: "... we have revolutionized public opinion as to what are fair rates for government war borrowing! I believe that this revolution in opinion has a sound basis in underlying economic realities and is applicable to the coming times of peace also. I hope that the policies of government will be directed to this end." [Boldface mine].

Impetus to Gov't Ownership

Could it be that those directing the Treasury know that to force a low rate of interest will throttle private industry and be an impetus to government ownership and control of enterprise? Do they realize that we cannot expect private industry to flourish unless we permit a return sufficient to challenge those who would accumulate "venture capital" to explore beyond the new horizons which constantly appear? Can it be that they desire accumulations of private capital to flow to other countries, and perhaps to have the owners follow it? We cannot definitely answer these questions; but when some of the means point so directly to stated aims we cannot but be suspicious.

Taxation has always been used as a tool to accomplish economic ends; this aspect has loomed large in recent years. The Treasury and Congress have been urged to increase taxes that would absorb funds which are responsible for price increases, but instead the Treasury, at least, has shown more concern over what the taxes would accomplish in a regulatory fashion. Take the most recent proposal of the Treasury to increase taxes by about \$10 billion. The Tax Institute sent a questionnaire to its membership asking whether this could be done, whether it should be done, and if so by what method. The preponderance of replies indicated that it could and should be done. As to method, a general sales tax received greatest support, followed by heavier individual income taxes in particular brackets, forced savings, heavier estate and gift taxes, and heavier corporation taxes. These replies were motivated by a desire to ab-

sorb increased purchasing power and thereby help to stabilize prices. The Treasury admitted that most of the funds responsible for inflation were in incomes under \$5,000. The proposed bill, however, scarcely touched these funds but did strike harder at business enterprise.

Congress, at the time, was not committed against higher taxation, but did refuse to adopt the program of the Treasury. It overrode the President's veto, not because of the principle involved, but because of some of the vicious names and implications which the President used.

Those who advocate a managed economy, and have used some of the devices indicated above to insure its inception, claim that our economy has reached a maturity which no longer leaves a place for private initiative and enterprise. The frontiers all have vanished!

Mature Economy Theory

The frontiers have vanished? Well, our geographic frontiers of the future may not be as numerous and extensive as those of the past; but we have plenty of evidence that our mental frontiers continue to extend far beyond the horizon. We have been permitted to see a few of the future possibilities in the fields of aeronautics, electronics and plastics. If we could but have paraded before us the explorations which are as yet military secrets, we would need no other blockbuster to annihilate the claim of a mature economy and that the need for private enterprise has become extinct. A mature economy? Hardly! Even so, it will take a long time to accumulate a wealth of Mr. Ickes' \$12,023,000,000,000!

We cannot undo the harm which has resulted and will result from our fallacious fiscal practices; but we do not have to continue them. Let's tell the people the truth! Let's tell them that a 10% increase in prices from inflation caused by borrowing is just as burdensome as a 10% sales tax. Tell them that if we levy taxes, we are through; but if they buy a bond someone, perhaps themselves, will have to be taxed to pay for it. Tell them they can't have that refrigerator or radio which they have been promised until this is done!

A Vicious Boomerang

Let's play fair with the boys; "backing them up" by buying more and more bonds will have a vicious boomerang. Do we want to bring them back to inflated prices and in addition make them help to pay interest and principal on bonds with the returns from which we are to buy automobiles and refrigerators? Let us begin to expend some of the energy we have used to sell bonds and employ the same devices to tell the people the truth about the consequence of excessive borrowing, low interest rate, etc. Let us forget the use of taxes for the purpose of social "reform" long enough to use them at least partially to stabilize prices.

Let's air the idea of a planned economy, socialism, or whatever it should be called, in the open, and point out the devices which are being used to bring it about. Let's find out whether this epitomizes the "American Way of Life" which millions of our boys are fighting to preserve. Perhaps they may want a chance to demonstrate that private industry may be worth giving a chance and would not take kindly to plans and procedures to relegate it to the discard.

"The patrimony of the state must not be impaired" is still just as pregnant with meaning as when it was first uttered. "Patrimony," moreover, did not refer to the greater and continued borrowing upon which some would have us rely. No one can deny that the private ownership and development of our lands and industries have resulted in an economy of

Analyzes British Exchange Controls

(Continued from page 517)

In each agreement machinery is set up, in keeping with the exchange control regulations on each side, to facilitate payments between the parties concerned, such payments to be ultimately channeled through special accounts maintained by each party on the books of the other party's central bank. The three agreements also reaffirm the existing official rates of exchange, namely £1=176.625 Belgian francs, £1=16.90 Swedish kronor, and £1=200 Francs. No changes in these rates are to take place except after mutual consultation (Belgium and France) or prior notice (Sweden), and all transactions between the parties, so far as they involve a relationship between sterling and each of the currencies concerned, are to be settled on the basis of the official rates of exchange. The participants also agreed to cooperate closely on exchange control matters affecting their common interests and to assist each other in keeping capital movements "within the scope of their respective policies" and particularly in preventing transfers "which do not serve direct and useful economic or commercial purposes." The Anglo-French Agreement makes this cooperation more specific by providing that the British and French Governments shall make available to each other any information they may possess concerning assets in the sterling area belonging to French nationals resident in the franc area, and assets in the franc area belonging to British nationals resident in the sterling area, respectively.

The most important and distinguishing feature of the three agreements lies in their provisions for the extension of mutual financial aid. The Anglo-Belgian Agreement, for example, provides that the Bank of England and the National Bank of Belgium, each acting for its government, will sell the other party sterling and Belgian francs, respectively (or, if need be, the local currencies, other than sterling and Belgian francs, of members of each monetary area), against payment in Belgian francs and sterling, respectively, to meet payments which residents of the one area have to make to the other and which are sanctioned by the prevailing exchange control regulations. The amount of Belgian francs to be held by the Bank of England under this arrangement shall not exceed 883,125,000 Belgian francs, or the equivalent of £5 million, while the amount of sterling which the National Bank of Belgium agrees to hold similar-

unparalleled growth. Socialist countries have paid high salaries to products of this economy to map and execute plans for them. The wealth and income of this economy has been the patrimony of the government; it has been the source upon which it could draw for its revenue. Mark the extent to which our government has been able to command revenue in comparison with some other countries!

Need to Encourage Private Enterprise

The future stability and growth of this economy will be the future patrimony of the government. Government enterprises of the past have rarely been productive of revenue and, when we scan the list of operations which the planners propose for the future, the need for the continued encouragement of private enterprise becomes imperative, if for no other reason than to preserve the patrimony of the state. The conclusion is inescapable that we must not neglect nor minimize the importance of the impact of our fiscal practices upon the present and future of our economic structure.

ly shall not exceed £5 million (except by the net amount of sterling already owned by residents of the Belgian monetary area on the date the agreement enters into force). These sums set the limits within which the balance of payments between the two areas may move, one way or another, without any "foreign exchange problem" arising. Over and above these limits, however, settlements must be made in gold. The agreement is to run for three years, but no provision is made for the ultimate settlement of any balances outstanding at the end of that time.

The Anglo-Swedish Agreement, which is to run for five years, is framed on very similar lines, with one conspicuous exception. No limits are formally placed upon the amount of the other party's currency that each party agrees to accumulate under the mutual overdraft facilities and, theoretically at least, the balance of payments between the sterling area and Sweden may run up to any size in either direction without the need for settlement arising. It is widely anticipated that for several years after the war Sweden's balance of payments with the sterling area will be in Sweden's favor and that the Sveriges Riksbank will consequently accumulate sterling on balance.

In the case of the Anglo-French Agreement, mutual financial aid is to take the form of the provision of outright credits rather than holding of currency. Thus, the British and French Governments agree to make available to each other, through their respective central banks, non-interest-bearing credits of £100 million, or 20 billion francs, as the case may be, to meet payments which the franc area has to make in the sterling area, and vice versa, in the year ending Feb. 28, 1946. As these credits are drawn upon, the local currency involved will be paid into special accounts at the Bank of England and the Bank of France held on behalf of the other party. Provision is made for possible upward adjustments in the size of the credits, if need be, and also for partial or complete settlement, according to a complicated formula involving some payment in gold, of any net credits outstanding on Feb. 28, 1946. It is generally anticipated that the

balance of payments within the one-year period of the agreement (which is subject to renewal) will be in favor of the sterling area.

All three agreements are drawn on rather narrow lines in that they specify that the currency of the one country held by residents of the other (including currency made available under the mutual financial aid provisions) can, in general, be used only for transfers or payments within the country concerned, although eventual multilateral convertibility of such balances is looked forward to in the provision that, as opportunity offers, each party shall seek to permit its currency held by the other party to be used for making payments in third countries. Despite the restrictions imposed upon free convertibility of balances and related provisions, however, these agreements are in no way inconsistent with the Bretton Woods Fund plan, at least so far as the "transitional period" is concerned, since that plan specified that during this period members may "maintain and adapt to changing circumstances . . . restrictions on payments and transfers for current international transactions." In this connection it is significant that each of the British financial agreements provides that if the participants adhere to a "general international monetary agreement," the terms shall be reviewed with a view to making any amendments that may be required.

Essentially, agreements of this character will have the beneficial effect of facilitating more normal commercial relationships between the participants and their respective monetary areas in the difficult transition period ahead, in the face of tight exchange controls and (in Great Britain) limited monetary reserves, and in this respect should be considered a useful step in the reconstruction of world trade in general. Such agreements can be of special benefit to Great Britain, whose external financial position has seriously deteriorated during the war, in that they offer the assurance that, within limits at least, any current deficits which that country may face in its trade with some of the other participants will be financed, in effect, by borrowing from those countries, rather than by paying them out of its limited gold and dollar reserves.

On the other hand, there is always the possibility that if Britain's balance of payments diffi-

culties are not adequately resolved, these agreements may be extended beyond the transition period for which they were designed, and perhaps coupled with attempts to bilateralize trade between the participants so as to prevent excessive claims from piling up on one side or the other. Under unfavorable world economic conditions, moreover, these agreements might even lay the basis for an enlargement of the sterling area or for the eventual grouping of Western European countries and their overseas monetary areas in a closely integrated exchange and trading bloc which, while permitting relative freedom of transfers within the bloc, would maintain close controls and discriminations against transactions with the rest of the world. These possible long-run implications of the recent British financial agreements with Western European countries underline, therefore, the need for appropriate international, as well as American, action designed to create the conditions necessary for a gradual relaxation of the exchange controls and other restrictive trade practices abroad which will prevail in the early post-war years, and to minimize the possibility of their extension into more undesirable forms.

Sullivan Naval Air Sec.

Under date of July 3 the New York "Times" reported the following from Aboard Admiral McCain's Flagship, in the Western Pacific: "John L. Sullivan was sworn in as Assistant Secretary of the Navy for Air aboard this aircraft carrier, it was disclosed today. The ship is part of Task Force 58 of the Third Fleet, plowing the battle zone waters off Japan.

"Carrier-based fighter planes flew overhead as Mr. Sullivan took the oath on the flight deck. Officers and men in battle dress stood at attention. The oath was administered by Vice-Admiral Aubrey W. Fitch, Deputy Chief of Naval Operations for Air. It was the first time an Assistant Secretary of the Navy had taken the oath at sea and in a war zone.

"Mr. Sullivan succeeded Artemus L. Gates, who was sworn in as Under-Secretary of the Navy in Washington on July 1. His home is in Washington."

This advertisement is not, and is under no circumstances to be construed as, an offering of the following securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

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The Securities Salesman's Corner

"It Takes All Kinds To Make A World"

By JOHN DUTTON

The experienced salesman "qualifies" his customers and prospects automatically. He has met and dealt with such a large variety of security buyers that almost instinctively he sizes them up—often without his realizing that he does so. He gears his selling procedure to fit the type—and there are almost as many different types of securities buyers as there are different securities. Yet, people are people and they can be fitted into certain broad categories. Knowing people is an art that can best be accomplished through experience—books and articles have been written on the subject by the score—but here is where you learn best by doing.

The good salesman learns to use his eyes and his ears as much as he does his tongue. The world is his laboratory—people are his key board—sales are his music.

Here are just a few broad categories that could be set up in "typing security buyers". EVEN THEIR BEST FRIENDS WON'T TELL THEM!

The fellow who likes to "pick his own". You know him. He's usually opined about most things—politics, economics, the weather, his clothes, the other fellow's golf game. Some times he will listen to a suggestion, but he seldom takes a straight down the alley sales talk without a suggestion of impatience. You can't sell him by the direct approach—you've got to flatter his ego if you desire his business.

The fellow who wants to get something for nothing. The woods are full of these birds. Some of them (most of them) would never admit it. He wants you to whisper in his ear that some insiders are buying into a certain situation and he wants his profit QUICK. High taxes or no! His type are never loyal to any firm. Give him ten profits and one loss and you will get a squawk so loud the echo will ring in your ears for a week.

The timid fellow. He'd like to invest a few dollars but he's not sure that he should. He's never sure of anything—he goes through life this way. If you follow up this type of prospect you're liable to go half nuts yourself—and what you'll make out of his business won't be sufficient to pay your social security taxes.

The suspicious type. He doesn't believe it! He's heard too much about Wall Street, brokers and bond salesmen. Why back in 1929 he bought some real estate mortgage bonds and those dirty so-and-sos robbed him. Most corporations are run by crooks, the stockholders always get a raw deal. If it hadn't been for Roosevelt the country would have been swallowed up in the most God awful revolution you ever saw in your life. Thank heaven for the SEC the OPA and the Political Action Committee. You can have his type too—if you want him—or do you?

The big wind bag. He wants to talk about himself. He doesn't care how much of his time he wastes—and less for yours. He will get you into his office and as long as you'll listen to his stories about what a smart fellow he is, and the big things he expects to do someday—he'll give you a book full of it. He may hand you an order someday, but what you will make out of his business you can also put in the kiddies bank—providing he doesn't "lay down" on delivery day.

The grouch. The world's all wet. He only does business with his bank, or his old friend Joe Zilch who has been an investment banker of repute for the last half century. Besides all unlisted securities are junk—the country is going to hell—and who told you to call on him anyway. We'll take vanilla; you can have him too if you want him.

The fellow who has a deal for you. "Glad you called, come right in". "Now just listen to this—here is the map—only need \$50,000 to drill two wells". Besides he's got a sure-fire hit in a new tooth paste formula that will put Colgate out of business—its got a strawberry flavor—the kids will love it. Can he waste your time?—if you let him!

Some day when this brave new world becomes better organized how about an SEC to protect the security salesman!

Merle Selecman of ABA Takes Red Cross Post

Appointment of Merle E. Selecman of New York, Deputy Manager and Secretary of the American Bankers Association, to the staff of the American Red Cross as a special assistant to Frederick A. Carroll of Boston, recently named Red Cross Commissioner for Great Britain and Western Europe, was announced on July 24 by the National Headquarters of the American Red Cross in Washington. Mr. Selecman will leave shortly for his duties abroad. Mr. Carroll, who is Vice-President of the National Shawmut Bank of Boston, is on leave of absence from his bank. Mr. Selecman has

been granted a leave of absence by the Association to join Mr. Carroll's staff.

Mr. Selecman has been with the American Bankers Association for the past 18 years. In addition to his work as Secretary of the Association he is Deputy Manager in charge of its Trust Division and director of its Public Relations Council. Mr. Selecman attended the University of Missouri, took his A.B. degree at the Northwest Missouri State Teachers College at Maryville, Mo., and his Master's degree at Northwestern University in Chicago. Prior to joining the Association, Mr. Selecman spent ten years in newspaper, advertising, and publicity work and teaching journalism in the Midwest.

"Full Employment" and Freedom in America

(Continued from first page) but what happens there is important for us because it is part of the world-wide movement toward compulsory collectivism which has emerged from this war. When our Congress reconvenes in October, after having ratified in the past few days the Charter of the new League of Nations, and the international economic and military agreements which implement it, hearings will start on the Full Employment Bill, which is the Beveridge program for America, and we shall begin the great debate on the question whether or not this country is to take the final step in this process of international Collectivism, and fit its economic system into the planetary pattern of unlimited government power which the war against total government has already imposed upon the entire world.

I shall say nothing of the international aspects of this pattern that are implied in the monetary, agricultural and other agreements involved in the new League of Nations. All that I shall try to do today is to spell out the plain meaning of one of the underlying ideas in this pattern—that of unlimited government guarantee of income or purchasing power, which has been marketed under the changing labels of national and international planning, the planned economy, social security, full employment, guaranteed annual wages, and international stabilization, and has finally become the keystone of the international structure of compulsory collectivism, embodied simultaneously in the full-employment bill in America and the Beveridge plan for Britain.

The very title—"Full Employment in a Free Society"—under which Sir William Beveridge has put forward the British program of national socialism from which the Murray-Kilgore bill has been copied, defines the issue and lets the cat out of the bag. Step by step as he presents the attractions of the idea of full employment as the aim of domestic and international policy for the masses he is compelled to expose all the price tags, political accessories and governmental gadgets called for in the fine print of the contract, and it is clear that the same attachments come for the American as for the English model of the governmental millennium. It does not matter whether or not the British people like them or have been accustomed to them by riding around the back roads to serfdom in the early models of National Socialism imported from Germany since the time of Bismarck. For us the plain fact is that the political accessories of full employment cannot be attached to the American chassis without a complete alteration of its fundamental design.

Requires Government of Unlimited Powers

Ours was designed deliberately to limit the power of government, by dividing it and neutralizing it through constitutional checks and balances for the primary purpose of safeguarding the civil liberties and protecting the political freedom of the individual citizen against the encroachment of the State. Now, as the American mind has been reclaimed by the spirit of Europe, we are being told day by day that these ends of government are no longer necessary or enough. It is being taken for granted that the original purposes of this design have already been replaced or supplemented by other ends, which everybody desires and which cannot be attained within the framework and means of limited representative government under law. In our foreign policy we are committed to concerted action to maintain peace and promote prosperity in the rest

of the world by continuous and unlimited use of military force and economic power, while in our domestic policy we are about to be committed to unlimited guarantee of employment and income. Both these objectives require a government of unlimited powers, unrestrained executive authority, and unrestricted economic resources, with parliaments and legislatures performing merely advisory or conversational functions, and abdicating to executive agencies their power of the purse.

Well, there is some gain by way of candor in having come to the point where some of us recognize that if our government is to play the new role of planetary policeman and global Santa Claus abroad and provide full employment at home, we shall have to scrap the Constitution and give up trying to shape it slyly to these purposes. I do not know whether or not many Americans have more than the sentimental attachment to it which they have for early colonial antiques. It may be that the American people today, like those of Europe and Asia, are willing to pay any price for these things that go under the name of security, and one no longer can be sure about that after the steady process of demoralization to which they have been exposed during the past decade; but they should not go into this collectivist bargain imagining that security is free, any more than freedom is free.

Experiment Will Be Costly Failure

Nor should any of us who do not share that new delusion make the mistake of assuming that we need not worry about the outcome because in the end everyone will find that the formula of full employment by unlimited government guarantee is phoney and must fail. Even some as shrewd as Winston Churchill seem to be making this innocent error now, ignoring or underestimating the new instruments and mechanism of power which total government and its technicians have been devising and perfecting to implement that purpose during the past decade, in America and England, no less than in Germany, Italy and Russia.

No, the trouble with the program of full employment by government guarantee is not that it won't work, but that if you pay the price it will work so well that when you have paid the price and got it all you have left to wish for is that it wouldn't work at all. Once you have set in motion the massive machinery of unlimited government to make good its guarantee of full employment and adequate income for everyone, it is too late to protest that you didn't read the fine print in the social contract. It is too late to say that you didn't really mean full employment or even sixty million jobs; that you didn't quite intend that everybody who can work must be employed when, where and at whatever the government deems necessary or desirable, producing what the government wants, at a wage or profit that everybody must buy and consume what the government decides is desirable at a price which it determines, or spend or save his income in ways which the State decides is proper. It is then too late to realize or argue that the standard of living is not proportional to the amount of employment or payrolls or income or pensions or wages and prices, but to the production of the things people want to buy, consume or keep, with the least labor necessary to get them. It is useless to explain that you meant merely that the people who can't get satisfactory jobs at fair wages should be employed or supported

at a minimum standard of living. You have paid your money and made your choice, and all the clauses of the contract must be carried out if any of them are to be met. What are they?

Two Axioms Under "Full Employment"

Notice first that the agreement rests on two premises which practically everyone now accepts almost as axioms of modern economics. One is that everybody has a political right to an income sufficient to buy an adequate standard of living, either by being employed by somebody in a satisfactory job at fair wages, or running a successful business at a fair profit for himself, or being paid an unemployment or health benefit or pension by the government. The other axiom is that this right can be guaranteed only if enough money is spent by private citizens and government together to provide the income required to meet the desired standard of living. The current stipulation is that we must spend about \$160 billion of public and private money to provide about sixty million jobs or businesses, public and private, yielding enough income to satisfy the contract. But this stipulation is naturally subject to change from time to time, and so there are the further stipulations that if private spending is not enough the government must supply the rest, and if private spending is too much, government must offset it by collecting more money from citizens by borrowing or taxes.

As a social scheme this seems "perfectly neat and quite complete and not in the least extreme." It means merely that government assumes complete responsibility for the accounting of the community's money, controlling its expenditures, income and saving, relieving the citizen of all his budgetary problems, and leaving everything else about his life and work as it was. If that were all there is to it, it might be made simpler by arranging to have all private income paid into the Treasury into a sort of super-social-security account for every individual and then having Mr. Morgenthau send each citizen a check every month for whatever balance the public officials figure it would be proper for him to spend. That would at least assure full employment in Washington; but a benevolent government would then only come to the beginning of its problem, and would soon have to invoke the unread, unwritten or invisible clauses of its contract.

First, of course, there are the fiscal clauses, since the whole full employment program centers in the power of the purse, now enlarged to control not only of the public but of the private pocket-book. If the State is to determine total spending, it must obviously begin by determining not only the total national income, but its distribution, and end by determining individual income after taxes and savings. Citizens might save more or less than is necessary, so they cannot be permitted to earn or spend as much as they please without upsetting the political applecart. The State must have complete control of the net disposable private income, and prior lien on it. The withholding tax, borrowed from Europe, and sold here with the Greek gift of "forgiveness" as a premium, is a device perfectly adapted to this purpose. It not only converts the income tax into an excise, and collects it under anaesthesia in advance of spending, but makes it completely flexible so that it can be applied specifically to the spending of groups and individuals as the political exigencies may demand, without any regard to constitutional considerations of

equity or equality. When it is further improved, as its energetic merchandiser Beardsley Ruml proposes, by abolishing the corporation income tax or converting it into a nominal dog-license, the individual citizen becomes merely a tax-bearing animal, thoroughly domesticated to growing continuous crops of fiscal fleece for the State to shear. Certainly there is no other way to control the total private spending necessary to provide full employment. Under this section of the contract, when the State borrows from citizens and spends on a large scale to provide full employment in war or peace, it can even make the large bond buyers pay the principal and interest on the debt held by the small income brackets, by graduating interest rates and income taxes accordingly.

Supplies Restrictions on Spending

Next in the contract is the consumption clause. After you have determined through your fiscal machinery what the net disposable private income of the community is to be and who is to have it, you cannot let people spend it as they please if you are to guarantee full employment. They might save it to hoard it, though you can probably prevent that; or they might waste it in many undesirable ways, as on liquor or on women who should be otherwise employed. In any case you can't be sure that they will spend it so as to purchase the services of everybody to whom you have promised a satisfactory job, at the wages and kind of work he wants, where he happens to prefer to live. A free competitive market for consumers or producers is an insuperable hazard to a full employment policy, because consumers do not spend intelligently according to any national plan, workers don't change their occupations, skills or locations easily or freely, and investors and enterprisers have their own peculiar notions as to what they want to do with their money, according to what consumers want to do with theirs.

So to fulfill the full-employment contract you have to stipulate that control of consumption may be necessary in the national interest, by establishing a system of priorities in the production or purchase of consumer goods, as well as rationing and price controls, and some kind of allocation of new investment or control of the development of new competitive products. Since the jobs to be filled are not always likely, especially after this war, to be in the same places as the people who want to work at them or buy the products, the Government must also be able to move industries, labor or markets about (here or abroad) if it is to balance spending with employment. So the disposal of surplus war plants, and their voting populations, as well as Government control of foreign trade will probably prove to be important footnotes to the full employment contract.

Beyond all this, there is a much more crucial stipulation in the consumption clauses of the contract. Even with complete government management of private income, the control of private spending and consumption is so hard at best, and individual citizens are so stubbornly bent on saving or wasting their money in their own way, that it will be impossible for Government to make good on its promise of full employment unless it spends more of their money for them and makes them buy or consume what is good for them whether they want it or not. Besides, the capacity for private consumption is inevitably limited by time or boredom, but the possibilities of public consumption are boundless. They include not only the traditional pyramids, post offices, parks, playgrounds, public works and domestic or foreign TVA's, but also medicinal, dental, mani-

cure and chiropodist services, day nurseries, communal feeding, food-stamp plans, "homes of rest and culture," "travel for strength through joy," better meals for Melanesians, more vitamins for Hottentots, rebuilding the ruined antiquities of Florence, planting trees in Italy, and whatever (including continuous war for peace) an ingenious and ambitious government can imagine might make employment if it spent your money for you on something you wouldn't buy yourself.

The Compulsory Consumption Clause

So we come in the full-employment contract to the compulsory-consumption clause, which is perhaps the key provision in the whole program, for by it unlimited government can outflank and by-pass the perpetual peril of the competitive market-place and the hazards of the consumer's choice; and for the same reason it has a great appeal to business. It is always much easier to do your marketing through a government which can make the ultimate consumer take the product whether he wants it or not. War is essentially and almost completely a compulsory-consumption economy, where the unwilling customer merely happens to be your foreign enemy. The full-employment contract simply applies the same principle and the same method to peace and to the domestic consumer. Those who made it said as much in plain terms many times when they asked the world ad nauseam the trick question: "If you can have full employment in war, why not in peace?" The answer is that you certainly can, if you are willing to have the Government spend your money to buy goods and services you don't choose and can't use. But when it does that it is merely putting a lot of your spending money into other people's pockets, and it must take the money back again in taxes, or it must make sure that enough of the kinds of things that citizens choose to buy is available, else even your own spending money won't buy much groceries, gadgets or government before you are through.

Work and Production Not Considered

Thus we arrive, by easy and familiar stages at the final clauses of the full-employment contract, the labor and management and investment clauses, which cover the problem of getting the work done that may be needed to produce the groceries, gadgets or social gains for which the private and public income is to be spent. These provisions are mostly in fine print or invisible ink, legible to the naked eye only when the heat is turned on, because the kind of contract we are talking about is for full employment or full payrolls, and the political preamble makes no mention of production or work. It assumes that they are mostly superfluous synonyms or natural accompaniments of employment and payrolls. In fact, the sequence of events by which the spontaneous generation of prosperity is supposed to take place is that public plus private spending makes payrolls, which make employment, which terminates automatically, after a lapse of time and overtime, in the production of useful goods.

Most retail merchants as well as government officials seem to believe that prosperity is brought by the spending stork; but industrial management, like the midwife, has a more realistic view of the process. It knows—and this war drove the lesson home—that when Government starts issuing to anybody unlimited claims to consume the product of other people's labor, and undertakes to redeem them, it has to provide the product, too. To do that Government has not only got to pro-

vide workers to produce the product, and manage and direct their work, but also supply their tools; and that means that it must make them produce at least something more than they are permitted to consume with the money it gives them.

The difficulty of getting enough real work done and getting enough tools to work with in order to make good the claims to consume which it issues, is the ultimate dilemma that drives the welfare-investment State either to inflation and repudiation or to the labor camp, or both. If we doubt the historical evidence on that, it would be easy enough to test the spending-expansion idea of prosperity and the idea of state capitalism by having the Treasury send every individual a monthly check for \$100, which works out roughly at the desired national income of \$160 billion. It would be interesting not only to see how many million jobs and how many hours we got for it, but also to hear the arguments that Marriner Eccles, Professor Hansen and Henry Wallace would make against it. Yet if anything they have been saying about the magic of consumer purchasing power in creating employment and production is true, there is no reason why it wouldn't work, except the simple fact that most people wouldn't, so long as they could buy anything with the money they get.

Security and Serfdom

Sooner or later a community that makes unlimited consumption a political principle for unlimited government must end by consuming itself—its human capital along with its material resources. Any full employment or guaranteed-income program that begins with government as consumer or dispenser of spending money or purchasing power to the masses must move from the now familiar phases of forced labor, which is common to every country with total government in Europe and Asia, and came close to us here in America during the war. At the hands of the State, security and serfdom are ultimately and inevitably identical as economic facts, and the political forms in which they are dressed up are unimportant.

I said that forced labor was the final clause of the full-employment contract, and it is perhaps enough; but it is not quite the last paragraph. Even in the labor camps of Russia or Germany men might think and talk, and thoughts and words may affect their own and others' work for the State which employs and supports them. So merely as a matter of good management and equipment, Government has to see that they are provided with the proper ideas and the right words. Freedom of speech and thought are the final sacrifices to the Supreme State which are stipulated in the full-employment program, but by the time they are called for, they are rarely missed.

So I can sum up for you the written and unwritten conditions of the new social security contract in these terms: The Government will give you full employment and guarantee your income provided you will let it use your money as it pleases; if you will buy for your own use what it tells you, at the price it fixes, or let it do the buying for you; if you will save as much money as it says and let it invest it as it pleases; if you will work at whatever it says, when and where it says, and as much as it says for what it says you can be paid; and if you will hear, read and think what it tells you and keep your mouth shut. Beneath the elaborate and complex apparatus of fiscal and monetary policy, social insurance, price and wage fixing, rationing, conscription, and propaganda by which it is operated in the modern State, the compulsory collective economy—which this contract calls for to replace the

Municipal News & Notes

The municipal market continues under the influence of the government bond department, which is another way of saying that it is a rather dull affair and has been such for some weeks past. As a matter of fact, the apathy which currently envelops the municipal field antedates the setback suffered by the market for governments and the extent of the latter development is clearly detailed in our "Reporter on Governments" column which appears on another page in this issue.

It is true, of course, that there have been a few bright spots in the tax-exempt field in the recent past, but the picture as a whole has been, and is, rather dismal. Some of the rather new offerings, including those of Boston, Mass., Philadelphia School District, Hamilton County, Ohio, and Cincinnati School District, admittedly did meet with good investment demand. This was not enough, however, to touch off a significant wave of interest in the market generally, and the result is that not much progress has been made in clearing away the sizeable inventory that existed following close of the Seventh War Loan.

Because of this situation, dealers have been extremely cautious in bidding for new issues, with the tendency being to avoid making commitments at levels which do not take into account the possibility that the existing stalemate may continue

for at least the remainder of the summer season.

Another contributing factor to the poor showing in the municipal field was the veritable flood of corporate financing that took place during July. This development obviously taxed the facilities of both investment bankers and portfolio managers, with the latter in particular not being in position to give much attention to other sources of investment. Present indications are that August will prove pretty quiet insofar as new corporate emissions are concerned, with the prospect that the municipal market will receive much greater attention.

Debt Structures of Louisiana, Its Parishes and New Orleans

We are in receipt of a copy of the June 30, 1945, edition of "Bond Structures of the State of Louisiana, its Parishes and the City of New Orleans," a publication issued by Scharff & Jones, Whitney Building, New Orleans.

The title of this interesting booklet is misleading to the extent that it does not adequately describe the varied scope of its contents. While its essential purpose is to make available the latest information with respect to the outstanding indebtedness of the State and its Parishes, also of New Orleans, several other features combine to greatly enhance the value and significance of such data.

While space considerations preclude our giving an adequate review of the study, we understand that the bond house will be glad to send a copy gratis, upon request from either dealers, institutions or individuals who have an interest in Louisiana municipals. Requests should be addressed to Scharff & Jones, Whitney Building, New Orleans 12, La.

Chattanooga's \$6,135,000 Equalization Program Completed

At the close of the city's fiscal year on June 30, 1945, which also marked termination of the Chattanooga, Tenn., debt equalization program, holders of more than 96% of the total of \$6,135,000 debt involved had exchanged their bonds in accordance with the plan.

This information was contained in a report made by city officials to Wainwright, Ramsey & Lancaster of New York City, fiscal agents for the Southern metropolis.

Actually, the original purpose of the program has been fully completed, as the city had sufficient sinking fund assets to take care of the \$237,000 in unexchanged bonds. These latter mature in fiscal years 1956, 1957 and 1960.

Alberta Creditors Asked To Deposit Holdings Under Refunding Offer

In a notice issued under date of July 20, E. C. Manning, Treasurer of Alberta, requests that creditors of the Province accept provisions of the debt reorganization offer dated July 16 last, and implement such approval by depositing their holdings, accompanied by the appropriate Letter of Acceptance and Transmittal, at any of the following places:

(a) at the principal office of the Imperial Bank of Canada in any of the Cities of Montreal, Toronto, Winnipeg, Edmonton or Vancouver, in the Dominion of Canada.

(b) at The Bank of The Manhattan Company, 40 Wall St., New York, N. Y.

(c) at Lloyd's Bank Limited, 72 Lombard Street, E.C. 3, London, England.

The Sterling Bloc Pool And Foreign Trade

(Continued from page 514)

will shrink, the Export-Import Bank loans will cushion the shock.

These figures are hard to comprehend. They are astronomical.

If and when all of these programs are consummated, the total of foreign gifts and credits still available to foreign lands and peoples would break-down as follows:

Lend-Lease -----	\$21,500,000,000
UNRRA -----	1,300,000,000
Bretton Woods-----	6,000,000,000
Increase Capital Ex- port-Import Bank -----	2,800,000,000

Total ----- \$31,600,000,000

It is high time we evaluated these sums against our own available American resources. Can we stand the gaff? And the fore-said aid to Europe and Asia may not be sufficient. There will also be needed direct government post-war credits to our Allies. The Johnson Act will be repealed and private loans will be made to foreign municipalities and commercial entities.

Is our well of relief and rehabilitation inexhaustible? Can we really, without danger to our economy, yield to all these requests and importunities for aid. Can we offer our breast to feed and nurture the world? The problem is a vexatious one. You traders must help solve it.

We may not be able to square off actual aid with all these commitments. We want to cooperate wholeheartedly in building a healthier and happier world. We have the will. Have we the power and illimitable resources, however, to become the permanent almoner to all and sundry who apply? Have we the means to stand the strain and drain? Remember, meanwhile, we fight in the Pacific—with its tremendous cost of life and limb, goods, products and services.

Then too, if we cannot carry out our promise to France, England, Holland, Italy, China, Russia, Greece, Czechoslovakia and others, in the midst of our war and post-war necessities, after leading them into a mood of reliance and expectation then we created disillusion, disappointment and shattering of good will.

Time to Measure the Cost

It is time to measure and "yardstick" our productivity, not only against our role as almoner but against our own needs.

Must we not look a bit to our own house? There is an old saying, "Love your neighbor, yet pull not down your hedge." Of course, our attitude should not be one of heedless selfishness. That would be not only bad morals but bad economics. The happy medium would be a reasonable self-interest. We must conserve our energies and strength in order to help our neighbors in want and distress.

We cannot so supply raiment for all, to the point where we make ourselves naked. We too, can suffer cold.

We dare not lavish sustenance on all who appeal for food and allow ourselves to starve. We, too, can feel hunger.

I'm sure we all desire our benevolence to continue, that we want to bring balm to a shaken and suffering world. Such action might even be deemed self-interest, inasmuch as we cannot prosper unless others in the world—our potential customers—grow strong and prosper.

We require the channels of trade between ourselves to be not only reopened but widened, deepened, and maintained.

Thus, in addition to the expansion of the lending facilities of the Export-Import Bank, we passed the Reciprocal Trade Bill, providing for wider tariff cuts,

thereby making possible increased foreign trade. Due to the increase in its capital, the Export-Import Bank will be in a position to provide financing. In this way, we enable war devastated countries to begin the immense task of reconstruction—we help the wounded nations to bind up their wounds and walk again—to trade again—to return to prosperity.

Suez Tolls

But, in all this enlightened generosity, have we not the right to expect a recognition in return? For instance, is it fair dealings for Britain to exact, from the start of the war to January 1945, \$11,345,390, as Suez Canal tolls on American ships redeploying fighting men and equipment to the Pacific? During the same period, the United States Lend-Leased \$9,000,000 in Panama Canal charges on British ships. That is certainly taking a nip out of the hand that feeds one! The excuse offered by British is lamentably weak. She seeks to exculpate by saying that the Canal is owned by a French company but she fails to state that Britain is the principal stockholder. A slight oversight. She begs off also by saying that the tolls must be paid in Egyptian pounds and she lacks such currency, an excuse which won't wash when one recalls, as it is inevitable, that England owns Egypt, body and soul. She could easily procure the Egyptian pounds through the Sterling Bloc Pool.

My remarks may cause quite a fluttering in the dove-cotes but I shall not be ruffled. I am reminded of Samuel Butler's remark, when criticized for his "random" passages: "I have left unsaid much that I am sorry I did not say, but I have said little that I am sorry for having said—and I am pretty well on the whole, thank you!" I feel the air should be cleared if we are to reach an understanding. I may be accused by some as being an Anglo-phobe but I shall dismiss that as an absurdity. England will come out of this holocaust maimed physically and greatly weakened economically. She alone realizes how narrow was the survival. The whole world, including the United States, will be the poorer if England cannot play her full part in the task of the world's reconstruction. Because she has been shaken to her very foundations, she needs and must have our help. But such condition should not blind us to shortcomings and faults and preclude honest criticism.

The Counting House Approach

Lord Vansittart recently—July 18—in the Transatlantic Edition of the London "Daily Mail," spoke of Anglo-American relations and said: "There is something more than sentiment in common between the 'users of our sweet English tongue.'" That is indeed "sweet". But it would be well for Lord Vansittart to caution his country to lessen his "counting house" approach.

England has insisted that all Lend-Lease shipments be evaluated at a 1941 stabilization price level, although the goods may reach England in 1945. The actual cost of Lend-Lease goods has gone up from 25 to 40% since the 1941 period. In some food instances, the advance is 50%. Nevertheless, on the 18 billion of Lend-Lease goods and services we supplied England since 1941, we are out the increase in cost. Thus, we have subsidized each dollar of these 18 billions with upwards of another 25 cents or more per dollar presenting Great Britain, on a silver platter, as it were over \$4,500,000,000.

Some one once said Britain, in a football match, plays courageously and fairly, but she always has her eye on the box office receipts. It is high time we too kept at least one eye on the box office receipts.

The time is drawing near for settling Lend - Lease accounts. What are we going to get for the billions of goods shipped to our Allies? The cost of Lend-Lease to date is about 15% of the war's total cost. Before V-J day, Lend-Lease may mount to over 45 billions. Much of it has been shot away, destroyed or consumed but portions remain intact and will have potential peace time value. The value of Lend-Leased machine tools to date has been 675 million. The United Kingdom received 200 million thereof. Their use will have a marked effect upon our future exports. We still have title to them and the right to reclaim what remains, or ask for compensation.

Lend-Lease Cancellations

How much of Lend-Lease accounts will have to be cancelled? That is a burning question. England desires, naturally, to cancel as much as possible. Payment for explosives, planes, tanks and jeeps that have disappeared and for food that has been consumed in the war's process will be liquidated and charged off the books as a war casualty. This might reach as high as 80%. What of the remaining 20%. The English are famed as shrewd traders. This 20% consists of industrial machinery and materials that will compete finally with American industry. It includes for example locomotives and transportation equipment, and planes that can be converted to civilian uses. Some 52,000 tools were sent to Britain under Lend-Lease. They were later sold outright to that country at a discount and under circumstances that caused quite an outcry in Washington. The Kilgore Committee has expressed marked disapproval, because it has been discovered that for a cash payment of \$31,500,000. Great Britain secured these machine tools which cost \$166,000,000. England found the dollars for this purchase with amazing alacrity.

In many instances, England's behavior bears a remarkable resemblance to Dickens' famous character, Scrooge. Her tactics hardly put us in a frame of mind to be lenient when it comes to settlement of Lend - Lease. Frankly, England is not following the admonition of a great East Indian sage—"Never poke your finger into your paper lantern." But maybe I'm talking through my hat about settlement. Some cynics say no payment whatsoever will be made for Lend-Lease, and that it will just be a colossal bookkeeping fiasco. Some say "it is better to give than to lend, it costs about the same!"

British Sterling Area Dollar Pool

But, sticking in the eye of the American traders like a cinder is the British Sterling Area Dollar Pool.

On the surface it seems a legitimate arrangement. But the temptation to use it as a petard to hoist British trade to the discrimination of American legitimate trading interests is too strong to resist. I have protested some of the abuses of this British Empire Dollar Pool to our State Department. In part, the reply received from Assistant Secretary of State Clayton is as follows:

"The so-called sterling area dollar pool came into operation in June and July 1940 after the defeat of France in order to conserve United States dollars (and other hard currencies) as they became available so that the dollars would be available for the purchase of military and essential civilian goods. All British countries except Canada and Newfoundland instituted foreign exchange controls requiring that all

hard currencies acquired in excess of the quantities required for imports of military and essential goods be surrendered to centralized control in Britain. Some countries in the sterling area, because of their gold production, our purchases there or the expenditures of our troops there, or for some other reason, have had supplies of dollars exceeding their essential wartime needs. Other countries in the area have had to make essential purchases in the United States in excess of their supplies of dollars. The British Treasury has accordingly transferred the dollars from surplus areas to deficit areas.

"The operation of the sterling area dollar pool has, necessarily, reduced the supply of dollars available to businessmen in certain sterling area countries for purchase in the United States of goods deemed non-essential and has reduced the sales which American exporters might otherwise have made in those particular places. It has, of course, increased our sales to other places in the sterling area. This practice has not reduced the total purchases of American goods by all the sterling area countries taken as a group, but it has made possible the allocation of dollars to sterling area countries on the basis of relative need and has facilitated the conservation of dollars for the importation of military and essential civilian needs. The practice has therefore reduced the burden of lend-lease aid on the American taxpayer."

"You ask what the position of the State Department is with reference to this pool. The State Department regards the general form and purpose of these sterling areas exchange controls as appropriate and necessary to the successful prosecution of the war. Dollars in the sterling area are scarce, and they have had to be allocated to the war uses like any other scarce commodity. That allocation has undoubtedly prevented waste and has reduced the drain of lend lease on the Treasury of the United States. For the post-war period it is part of our commercial policy to see restored the right of foreign buyers to select their sources of supply, so that private industry can thrive and American goods and American exporters can compete around the world upon the basis of the excellence and price of their goods. We believe that exchange controls on current transactions, however necessary in wartime, are restrictive of free competition on the basis of commercial values and therefore restrictive of free enterprise, and that they tend to create international ill-will. We want to see them ended as soon as practicable. How soon that can be done no one can say at this time. The fundamental problem is the scarcity of dollars in the hands of foreign owners. In some countries, which have more dollars than ever before, this will not be a problem. But in others—and Great Britain is one of them—the probability is that the supply of dollars will be considerably less than total needs for a considerable time. Whenever dollars are short we may expect continuance of some foreign governmental control of trade."

I have great admiration for Will Clayton. He is doing a good job but he is a tyro at it as yet. I hope he realizes, however, that the British Foreign Office is adept in offering explanations. They are the Houdinis of the diplomatic world and I fear me our State Department may not prove a match for their wangleings and their talented sophistry.

Conditions Confronting Exporters

Let us face facts. I shall take conditions confronting our exporters in two countries: India and the Union of South Africa.

In my protest to the State Department, I gave a list of imports and exports passing between India and our own country between the

years 1926 and 1940. Imports from the United States amounted to approximately \$625,400,000 and exports to the U. S. amounted to approximately \$1,327,500,000. The trade balance in favor of India up to 1940 was \$702,100,000 and constituted the dollar surplus on normal trading. I was unable to cite the figures for the years following 1940, because after that year, England took the surplus dollars due India and placed them in the British Imperial Pool. In other words, the dollars owed to India by us were deliberately seized by England and placed under her control. England then gave India credit in pounds and then froze those pounds. In the reply sent to me by Mr. Clayton, I was given the additional figures on the international trade balance with India for the years 1941 and 1942 but I was refused the figures for the years 1943 and 1944, "because security regulations prohibit their publication." One would imagine that the Japanese Intelligence Office were fast asleep. How in thunder the '41 and '42 figures can be given and not the '43 and '44 figures is quite beyond my comprehension. However, these two years—'41 and '42—add to India's surplus dollars \$57,021,000, making a grand surplus of dollars as of the end of 1942 of \$759,121,000. It is also impossible to secure any accounting of the dollar balances due India on her trade balance with us after 1942 from British authorities.

India has been selling and shipping us in the last few years jute, mica, manganese and other strategic war materials. These latter shipments to us may run up an additional surplus of over 200 millions. The total credit balance due India has, in all likelihood, mounted up to one billion by this time. It is difficult for any country, such as India, to support an international trade so slanted. The result has been to emphasize and underscore the inflationary movement rampant in India today due to shortages of goods of all kinds. India needs American products and needs them badly but India has been deprived of the dollar with which to buy American productivity. England, having given India credit in pounds for the dollars and then having frozen those pounds, forces India to deal well nigh exclusively—for practical purposes—in British goods, if they can get them. Britain has not the wherewithal to supply either consumer or capital goods needed in India. She thus plays dog-in-the-manger. She says to India, "We won't let you buy American goods and we haven't the goods with which to supply you—so therefore do without." I don't know the rate of exchange between the dollar due India and the English pound but it is likely that England turned a neat profit on that part of the transaction as well. Incidentally, England expects India to accept for the pounds thus frozen a long term credit at a low rate of interest.

The India Market Closed to Us

Prior to the war, Japan was a large reservoir upon which India could draw for goods, merchandise and all sorts of supplies. Now that we are systematically pounding Japan to pieces, America might well step into the breach and act as a substitute for that source of supply after the war. But, should the Sterling Bloc Pool continue, as sure as you're a foot high, American trade with India will be stymied and that market effectively closed to us.

Britain has not openly announced her trade policy for the present or even the post-war period, except that Prime Minister Churchill, in referring to British post-war trade has said: "Everything will be done to promote international trade, but Britain will not give up its rights to safeguard our balance of payments by whatever means are

necessary." Apparently, no holds will be barred in the struggle for foreign trade. It is safe to assume, then, that should the Prime Minister be re-elected, vigilance will not be relaxed over the operations of the Sterling Bloc Pool.

Lord Keynes, in a memorandum to Secretary of the Treasury Morgenthau, in October last, said that the Sterling Bloc Pool should be maintained for at least three years after the war with Japan. His thoughts seem to be entirely in accord with the Prime Minister's.

Furthermore, there is an oft neglected section of the Bretton Woods Pact which would give England a transition period of three to five years in which new bi-lateral exchange agreements would be permissible outside and beyond Bretton Woods machinery. In other words, she can keep her Sterling Bloc Pool arrangements up to five years. As time is figured these days of swiftly moving events, that is a long period in which to keep us out of India and other countries congealed within the Sterling Area pool.

What are you exporters going to do, meanwhile? Will you sit there quietly chewing your nails? As a trade diet, you will find them most inadequate!

Conflict of Bretton Woods with Sterling Pool

In fact, Bretton Woods in general is quite inconsistent with the Sterling Bloc Pool. Its purpose, primarily, is to break up artificial currencies and trade restraint controls. England should not be permitted to take advantage of Bretton Woods facilities and maintain the Sterling Area Bloc Pool at one and the same time. She would be likened to one who eats her cake and wants to hoard it too.

Undoubtedly, England will apply for a direct loan to our Export-Import Bank, and the sum may run up to one billion dollars.

To the exporters of the United States, this will be their cue for ACTION! In a thunderous voice, you must make known to the Administration that it dare not implement the loan unless and until appropriate revisions to your advantage are immediately effected in the Sterling Bloc Pool.

Case of South Africa

To cite another example, let us look at the trading situation of the Union of South Africa. It has always been a fertile market for American goods. We buy little—yet we sell much—and the Union has always had the means of payment. It has no external debt, and it is the largest producer of gold. In 1939, the Union of South Africa produced 33.2% of the world's gold. No figures are available for following years. Authoritative sources indicate that production was even greater in percentage during those years. South Africa can easily pay in gold for anything she needs but she is within the sphere of the Sterling Bloc Pool. Trade, there, is regulated by the South African Import Controllers who are, in turn supervised and curbed by the British. Some time ago it was difficult to trade with South Africa because of the dearth of ships. That difficulty no longer presents itself, as there is now enough cargo space and after August first, all shipping applications will be unnecessary. Control by the War Shipping Administration will be abandoned and direct contact will be made with the shipping companies. The War Shipping Administration will allocate ships but not the space on those ships. Now what is happening to our trade with the Union of South Africa? Roughly, there are two categories of goods that we can send to her. There are goods under general license, which includes non-critical, non-essential goods such as crockery, plastics, glassware, cosmetics, aluminum, jewelry, hand bags, etc.

No export licenses are required for such items. Then there is a category of goods involving critical or priority materials where allocations are made to various countries under license here. They involve materials where there are shortages or where the supplies are critical. As to the first category of goods which are plentiful in this country, the Union of South Africa Controllers, under the domination of the British, exercise rigid control. Why? Why should the Union of South Africa be forced to say to American traders, at the behest of England, "You can't export to us, as much as we need your available civilian goods." Let's take the hand bag situation as an instance. We have more than we need in this country. But the women in South Africa are in need of such articles. Therefore, although South Africa has plenty of gold with which to pay for such hand bags, and she may have the dollar credit with which to do so, yet she cannot afford to do so for the amount of dollars that England does out to her for purchases in a foreign market. South Africa may only buy from us what England permits her to buy. You might be curious and ask what happens to the gold. Most of it is earmarked for or shipped to England and the Union of South Africa is given sterling credit. Thus Britain manipulates the buying power of the Union of South Africa as she sees fit or as fits her needs. Churchill's statement, quoted previously, "but Britain will not give up its rights to safeguard our balance of payments by whatever means are necessary" becomes much clearer. It is likely that Britain will buy raw materials, such as metals and leather, and make handbags to be shipped to South Africa. She will thus monopolize the South African market. South Africa, meanwhile, is compelled to wait until England is in a position to supply her and is not permitted to avail herself of the American handbags already manufactured. As we can readily see, under such operation, until England is able to process and manufacture civilian goods for export to her Commonwealths and the Dominions, such as South Africa, all U. S. exports, in this instance to South Africa, are blocked for all practical purposes, or descend to a mere trickle of goods. Lack of goods in South Africa and the unwillingness of England to allow those needs to be supplied causes inflation. I have been speaking to some large South African importers. They complain bitterly, as you complain. One said to me the other day, "What can I do? The Controller says 'No'. He refuses to give me an import license and that is the end of it. If I continue to gripe, he will turn the screws on me in several other ways." Thus the fear of reprisals causes the South African importer to take it and like it. But that is no reason why a gag should be put in your mouth.

What I have said with reference to India and South Africa is applicable to Australia, New Zealand, Rhodesia, Palestine, Egypt, British East Africa, etc.

Can it be argued that the Union of South Africa desires to protect South African industry by keeping out American goods? The answer to that one is "No." In many instances, such as in the field of plastics and cosmetics, there is no competition.

The Conclusion

The conclusion seems inescapable—the whole scheme is to protect England's general dollar outgo. Britain takes South African gold and gives in its place an I.O.U. and then translates the gold into dollars and uses the latter in any way that is "necessary", including discrimination against American traders.

Meanwhile, our exports shrink. I say this despite the conclusion in the letter received from the State Department. It boils itself

down to this—within the imperial sphere of the sterling block, together with so-called imperial preferences, England controls our trade with many countries and thus succeeds in limiting it and throttling it. We deemed it unporting to murmur during the European war because the pool then appeared to be a legitimate shield against exploitation and a device to conserve England's war energies. But, thank the Lord, V-E Day has taken its place in history and V-J Day will follow it soon, we hope. At this point, I feel the exporters in the United States are entitled to yell like stuck pigs. I earnestly recommend that your Association and others similar conduct immediate and complete investigations into the operations of the Sterling Bloc Pool and its effect as a barrier to United States trade.

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Broker-Dealer Recommendations

(Continued from page 520)
Inc., 135 South La Salle Street, Chicago 3, Ill.

Midland Utilities and Midland Realization Company—A study of Values and Distribution, prompted by consensus of opinion pointing to near-term liquidation of utilities and realization companies—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

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

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

National Terminals Corporation—circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available is a memorandum on **Howell Electric Motors**.

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

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

Public National Bank & Trust Company—Second quarter analysis—for dealers only—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

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

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

H. H. Robertson Co.—Memorandum on reconversion outlook—Strauss Bros., 32 Broadway, New York 4, N. Y.

Also available a memo on **Stromberg-Carlson** and a leaflet of general market comment.

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

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

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

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Tomorrow's Markets Walter Whyte Says—

(Continued from page 518)
highly selective market from here on; more so than ever.

Present signs are reminiscent of the spring of 1929. There was a break then, small in retrospect, but it frightened enough people. Later they stepped in again but despite the fact that the Dow averages went up another 80 points between Spring and Labor Day few people made money. From personal experiences I recall a flock of distress correspondence. If the statistics could ever be gotten up I believe that more money was lost between the Spring and Labor Day in 1929 than made.

Conditions are similar today. Group after group is beginning to mill around. But what is just as important, is that stocks within groups are also acting differently. For example the rails appear to have made a top. Yet stocks like Atlantic Coast Line and Chicago & North Western (ctfs.) appear ready to start up again. I therefore suggest buying the first between 65½ and 66½, stop at 64; buy Chicago & N. W. ctfs. at market with a stop at 37.

The steels are about the only group which show no down signs. You have Big Steel; continue holding it. Suggest you add Jones & Laughlin between 24½ and 25½; stop at 23. Also hold A.

Simplex Paper Corp.—report—White, Noble & Co., Michigan Trust Building, Grand Rapids 2, Mich.

Stromberg Carlson Company—memorandum—Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

Wellman Engineering Co.—Descriptive circular—Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y. Also available is a circular on **Fashion Park, Inc.**

Wellman Engineering—descriptive memorandum—Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio.

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

Personnel Items

(Special to THE FINANCIAL CHRONICLE)
CINCINNATI, OHIO—Leo F. Lutmer has become associated with C. H. Reiter & Co., Union Trust Building. In the past he was with W. L. Budde & Co.

(Special to THE FINANCIAL CHRONICLE)
INDIANAPOLIS—William P. Cargill is with Merrill Lynch, Pierce, Fenner & Beane, Fletcher Trust Building.

(Special to THE FINANCIAL CHRONICLE)
PORTLAND, MAINE—Raymond W. Penfold has become connected with J. Arthur Warner & Co., 477 Congress Street. He was previously with Charles A. Day & Co., Inc.

M. Byers, bought at 19, stop 16.

The movies as a group look down. Yet Paramount, the positive member of the industry, acts higher. On the other end of the scale, 20th Fox looks lower. Any move in movie stocks should find Paramount the beneficiary. Buy the stock 29½ to 30½; stop at 28½.

Auto stocks all look lower. The bellwether of the decline will probably be General Motors. But the minor auto stocks, like Willys Overland, look up. So if you're interested in motors better concentrate on the so-called secondary stocks. Incidentally White Motors, which we're long of, is one of the better actors. Latter was bought at 29½. Stop remains at 28.

Everybody knows the airplanes are through. At least everybody in the customers' rooms. Belief is that the closer we come to V-J Day the closer the airplanes come to a top. Same belief was current before V-E Day. Yet, here we are seeing the group acting better than stocks which, according to common belief, are in for great times, come reconversion. Figure it out for yourself. Meanwhile you can be sure that the break has eliminated many of the weak accounts. There may be more setbacks before they start to go up again, but I feel reactions won't go far and next important move will be up.

More next Thursday.
—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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CHICAGO DETROIT PITTSBURGE
GENEVA, SWITZERLAND

A Swedish View of the Anglo-Swedish Trade Agreement

(Continued from page 519)

in payment for our export balance with England.

As regards the rate of exchange, the stabilization of the present rate of exchange holds no problem, of course, as long as the stability of the exchange rate between the pound and the dollar stands. The pound/dollar rate of exchange has been pegged during the war to \$4.03 and may be expected to remain so long as the war lasts. Problem for our exchange policy arises only if this rate of exchange changes. Shall we, then, follow the pound, or shall we stand firm by our dollar-rate-of-exchange? In other words, does the agreement, now consummated with England, mean that we again have pegged our exchange to the pound, which we left in August, 1939? In that event, the consequence would be that we, again, would begin to build up our exchange reserves in pounds.

It appears that this has been the interpretation in England, if one may judge by English press comments on the subject. In the March 9 issue of the "Times" it is stated that:

"The implication of this agreement is obvious. The basis for the whole pre-war 'sterling area'—and it may not be forgotten that the sterling area was created simply to facilitate trade over as large an area as possible in times of acute exchange difficulties—was simply the member states' willingness to hold their reserve balances in sterling. Sweden now joins a steadily expanding group of nations which are ready to engage in a similar undertaking with the same purpose. The object is not to form an exclusive economic interest-group, but to expand that area within which trade can flow evenly without the injection of immediate problems concerning gold supplies and scarce exchange."

That Sweden has declared herself willing to accept "blocked" pounds for her export balance with England means, of course, the same thing as a Swedish credit to England, but a credit in pounds, not in crowns. Hence, the creditor carries the exchange risk. England has recently concluded a similar agreement with Belgium; the Belgian undertaking was limited, however. In the Swedish-English agreement no limitation has been reported, a fact which has been stressed as a decided forward step in the English press—which it is, of course, from the English point of view. The re-establishment of England's international payments position, dismantled during the war, is a very long-range undertaking. In the long run it can only be done through a great increase in exports, which presupposes sufficient breathing-time for an essential rationalization and expansion of the export industries.

Even though no limitation has been stated, there are, however, certain facts to go by in estimating the size of the amount which may be considered for the first 12-month period. In the bill, concerned with state credits to foreign countries (1945:139), it is proposed that the Riksbank purchase export exchange for a sum amounting to 250,000,000 crowns during the next fiscal year. This tallies approximately with the probable export balance. In the trade discussions with England, which were conducted in connection with the negotiations of the payments agreement, according to press reports, exports from Sweden valued at 500,000,000 crowns per year and exports from England valued at 300,000,000 crowns per year, hence, a yearly Swedish export balance of 200,000,000

crowns, were assumed, it is believed.

Should the "blocked" pound credits threaten to become larger than we consider ourselves able to carry, there is always the possibility of limiting the risk involved by denouncing the agreement. This can, of course, take place at any time in view of the three-months period of denunciation.

Ensuing Consequences to Our Exchange Policies

At the present stage, we have of course not been able to formulate any definite decisions in regard to our future exchange-rate policies; instead, the payments agreement may be assumed to rest, for the present, on the assumption of an unchanged exchange rate between the pound and the dollar. Our most momentous interest lies in attaching the crown to a free exchange. If the pound were to decline in the future, in its relation to the dollar while the restrictions were to remain as regards the uses of the pound, we may take it for granted that we, in that case, would go along with the dollar. In other words, this means that the payments agreement cannot be construed as a definite pegging to the pound. A continued attachment to the dollar must appear more as a matter of course from the Swedish point of view as long as the dollar, contrary to the pound, is a free world exchange which has its definite purchasing power in all markets.

After the war, the price level will obviously lie considerably higher in England than in the United States. Up until now, wholesale price increases have amounted to 70% in England and to 36% in the United States, according to index figures which are not exactly comparable, however. This implies, on the assumption of unchanged exchange rates, that it will be most profitable for us to export to England, but to import from the United States. Such a situation would, of course, lead to a very rapid depletion of our dollar reserves. It is obviously of paramount importance that we do not, to too great an extent, reduce our present reserves of free foreign purchasing mediums. Our Riksbank holdings of gold and foreign exchanged amounted to 2,036 million crowns in August, 1939, and has increased nominally during the war to 2,568 million crowns, as of last March. If the increase in wholesale prices, effected in the United States during this period, are taken into account, the actual value of the reserves has decreased, instead, to approximately 1,900 million crowns.

Our import potential from England and the other parts of the sterling area, will in all certainty be relatively limited during the most immediate post-war years. We had a very large export balance to the sterling area even before the war. For 1937-39, the average value of our exports to England amounted to 433,000,000 crowns, while the value of our imports from England stopped at 238,000,000 crowns. Our average exports to the more important countries in the sterling area against imports amounting to 73,000,000 crowns. Hence, we had a combined export balance of close to 150,000,000 crowns to the sterling area. Great Britain's delivery potential, for obvious reasons, will be reduced during the immediate post-war years. Furthermore, the demand for English goods will be very great from other holders of "blocked" pounds. We will, namely, not be alone in a situation of having to buy from England in order to get

a return for our credits. Large "blocked" pound credits have been accumulated for the accounts of the sterling countries during the war in liquidation for large deliveries of goods from these countries and other extensive services to England during the war. At the end of 1944, these credits were estimated to amount to approximately 3,000 million pounds of which more than one-half fell on British India. In comparison it may be mentioned that 15 sterling countries' combined exchange reserves in London only amounted to 216,000,000 pounds at the end of 1938. (This figure, which is taken from the League of Nations' "International Currency Experiences" [Princeton 1944] embraces the following countries: Australia, Denmark, Egypt, Eire, Latvia, Finland, Lithuania, India, New Zealand, Norway, Palestine, Portugal, Sweden, Thailand and the Union of South Africa.)

It is, of course, not at all certain that we will have to place ourselves on a par with England's other creditors. There is, of course, a fundamental difference between those pound credits which have been accumulated during the war and such pound credits which arise because of voluntary commercial obligations during the post-war period. A certain measure of priority does not seem unreasonable when it is a question of obtaining coverage for these latter credits through deliveries of goods. Judging by English press comments pertaining to the agreement, this opinion appears to have support, to a certain extent, on the English side. In the March 9 issue of the "Times," it is stated as follows:

"It is necessary to guarantee that no country is placed in an unfavorable position by entering into such agreements (as the Swedish-English). Sweden will only be one of many countries which, together, will hold an enormous amount of pound credits. For the largest portion of these credits there are no expressed obligations, whatsoever, concerning their redemption or otherwise. It is important that pound credits, which ensue through formal payments agreements, receive an, at least, equally favored status in practice. They must not receive a less, but instead, preferably a more favorable treatment than such credits which have been accumulated during the war."

We must willingly extend our help to England in her reconstruction work by export credits. Due to our traditional trade connections with England and because of the great importance which the English market undoubtedly will hold for us in the future, as well, this lies, not least, in our own interest. But it does not follow that a direct pegging of the crown to the pound is desirable under all circumstances. In order to avoid the dwindling of our reserves too much, we must also strive to increase our exports to countries with free exchanges; that is, mainly to the United States and to countries which base their exchange on the dollar. A continued pegging to the dollar may, hence, appear to be a matter of course. The loss which we may suffer, thereby, in the case of a possible devaluation of the pound at a time when we hold large pound credits, may not be a deciding motive for our exchange policies. In a situation of that kind, we should not, because of short-sighted niggardliness, inveigle ourselves into letting the crown follow the pound, even though such expedient, perhaps, should seem more favorable.

If developments in England should lead to the freezing of present restriction policies for an undermined period, it would constitute another, and much more, important reason why a more definite attachment to the pound is not desirable from our point of

view. It is, namely, to be feared that we, too, in that case would have to agree to retain our exchange restrictions. In the interest of our foreign trade, we must strive to return to a free exchange as rapidly as possible. The United States finds herself in a position where such return can be expected to take place, there, much earlier than in England.

Bilateral and Multilateral Trade

It has been stressed with a certain eagerness in English press comments that the Swedish-English agreement does not conflict with the Bretton Woods plan. It is, however, obvious that in its character of a bilateral agreement aiming at what in the Bretton Woods plan has been branded as "discriminatory currency arrangements," it does conflict with the system which the plan ultimately aims at. How to deal with the whole problem of the "blocked" sterling credits constituted one of the most important subjects of contention at the Bretton Woods conference. However, it was decided that the question be left out altogether. The only step that was taken towards its solution was the concession that a country, which found it necessary, should be allowed to retain exchange control during a certain transition period of three to five years after the war. We now refrain from passing an opinion on as to whether England, during this short transition period, will be successful in such sweeping rationalization of its international currency that a free conversion of pounds into dollars could be sanctioned. In this connection there may be reason to direct attention to the "multilateral clause" which has been inserted in the Swedish-English agreement. It says, namely, that "to the extent that opportunity offers itself," it shall, for one thing, be possible for the respective governments to place Swedish crowns at the disposal of persons in the sterling area and pounds at the disposal of persons in Sweden for payments to persons in an outside country, and, secondly, that it shall be possible for persons in an outside country to use their pound credits for payments to Sweden; that is, their crown credits for payments in the sterling area.

It is difficult to form a clear understanding of the concrete considerations on which this clause in the agreement are based. There is, however, every reason to fear that, to the extent that it will be applied, it will mean

rather an increase than a reduction in our "blocked" pound credits. Certain speculations in the Finnish periodical, "Talouselämlä" of March 16, are illuminating in this respect. The periodical presumes that it will be possible for Finland to pay for Finnish imports of such goods from Sweden, which are indispensable to the Finnish economy and, above all, to meet reparation payments to the Soviet Union with pound exchange which derives from Finnish exports to England. In this way Finland would be spared from "blocked" pound credits and Sweden would be spared from extending direct credits to Finland. If continued Swedish credit grants to Finland, in some form or another, are taken for granted, it is obviously in itself at least equally favorable for us to be holders of pounds as of claims on Finland. However, such arrangements must arouse certain apprehensions. Even on the basis of the expected Swedish export balance with England, our "blocked" pound credits will probably be very considerable, as we already have pointed out, and any further extension could be looked upon as a considerable burden. Furthermore, the Finnish exports to England would thereby be placed in a much more favorable position than the Swedish and, hence, the arrangement could not, from our point of view, be accepted without a closer cooperation in regard to actual sales policies.

Great Britain and the rest of the sterling area constitute a very important market for our exports as well as for our imports during normal times. Hence, in itself, it must be greeted with the greatest satisfaction that the methods of meeting payments between Sweden and the sterling area now have been adjusted for the most immediate post-war years. By the Swedish-English payments agreement, we have demonstrated our willingness to cooperate in the re-establishment of the status of the pound and, thereby, to the solution of the whole exchange problem. This does not mean, however, that we may close our eyes to the problems which the agreement raises for our foreign trade and for our international economic relations in general. That we, within the limits of our abilities, extend credits to England is, as already stated, altogether as it should be. It is also to be hoped that the payments agreement is afforded this limited interpretation and is not accepted as the taking of a definite position for our exchange policies after the war.

The Anglo-Turkish Trades and Payments Agreement

(Continued from page 519)

at the request of or with the consent of the Central Bank acting as agent of the Government of the Turkish Republic, to make sterling at the disposal of residents of such other countries available for current payments to "Turkish Accounts."

Article 5

To the extent to which the Central Bank require sterling area currencies, other than sterling, for the purpose of providing for payments in the countries where such currencies are legal tender, the Central Bank shall purchase them through the Bank of England against payment in sterling.

Article 6

Any sterling held by the Central Bank shall be invested only as may be agreed by the Bank of England, and any Turkish pounds held by the Bank of England shall be invested only as may be agreed by the Central Bank.

Article 7

The amounts payable by the Government of the Turkish Republic to the "Commodities Account" in accordance with the Guarantee Agreement of the 27th May, 1938,⁽²⁾ as amended by the Supplementary Guarantee Agreement of the 3rd February, 1940, and with any supplementary Agreement amending the said Agreements of the 27th May, 1938, and the 3rd February, 1940, shall continue to be paid to the "Commodities Account" and governed by the provisions of those Agreements.

Article 8

(i) If, during the currency of the present Agreement, either of the two Contracting Parties becomes a party to a general international monetary agreement, they will consult together in order to review the terms of the present Agreement with a view to making any amendments that may be required.

(ii) During the currency of the present Agreement, the Contracting Parties shall cooperate to apply it with the necessary flexibility according to circumstances. The Bank of England and the Central Bank, as agents of their respective Governments, will maintain contact on technical questions arising out of the Agreement and on exchange control matters affecting the sterling area and Turkey.

Article 9

For the purposes of the present Agreement—

(i) The expression "Turkish Account" means any sterling account in the name of a resident of Turkey with a bank in the United Kingdom which has, in accordance with the provisions of this Agreement, been designated as a Turkish Account for the purposes of the Exchange Control Regulations in force in the United Kingdom.

(ii) The expression "the sterling area" shall have the meaning from time to time assigned to it by the Exchange Control Regulations in force in the United Kingdom. No change in the list of countries comprised in the sterling area shall have effect, for the purposes of the present Agreement, until it has been communicated to the Central Bank by the Bank of England.

In the event of a substantial change in the list of countries comprised in the sterling area, the Contracting Parties will examine the changes which might have to be made in the provisions of the present Agreement.

(iii) Transactions between the Bank of England and the Central Bank are to be considered as transactions between the sterling area and Turkey.

(iv) Transactions entered into by the Government of the Turkish Republic or by the Government of any territory within the sterling area are to be considered as transactions entered into by a resident in Turkey, or by a resident in the sterling area, as the case may be.

Article 10

Goods grown, produced or manufactured in the United Kingdom or in Turkey shall be admitted for importation into Turkey or into the United Kingdom respectively, in conformity with the legislation governing imports into the importing country at the time of importation.

Article 11

The Government of the United Kingdom will do their best, having regard to the general export situation in the United Kingdom, to satisfy the internal industrial and economic requirements of Turkey, and, having regard to the general import situation in the United Kingdom, to grant facilities for the importation of Turkish goods into the United Kingdom.

Article 12

(i) In the event of quantitative limitations being imposed on imports into the United Kingdom, equitable treatment shall be accorded to articles grown, produced or manufactured in Turkey.

(ii) The Government of the United Kingdom undertake that, in the event of their deciding to regulate the quantity of the imports into the United Kingdom of any agricultural products of Turkey, they will not make allocations between countries of the total permitted imports without first giving the Government of the Turkish Republic an opportunity of discussing the matter with a view to the allocation to Turkey of an equitable share of the permitted foreign imports.

Article 13

The present Agreement shall come into force on the 21st May, 1945, and remain in force until 30th April, 1946. Thereafter, unless notice of termination is given by one of the Contracting Parties

to the other at least three months before the 30th April, 1946, it will remain in force for successive periods of twelve months unless notice of termination is given by one Contracting Party to the other not later than three months before the end of any such period.

In Witness whereof the undersigned, being duly authorized to that effect, have signed the present Agreement and have affixed thereto their seals.

Done in duplicate in London this fourth day of May, 1945, in the English language. A translation shall be made into the Turkish language as soon as possible and agreed between the Contracting Parties. Thereafter both texts shall be considered to be equally authentic for all purposes.

(L.S.) Richard Law.
(L.S.) M. C. Acikalın.
(L.S.) Cahid Zamangil.

PROTOCOL

At the moment of signing of the Trade and Payments Agreement of this day's date, the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Turkish Republic desire to place on record that they have agreed upon the following provisions, which shall continue in effect so long as the said Agreement remains in force:—

I. The Agreement of the 3rd February, 1940,⁽³⁾ amending the Treaty of Commerce and Navigation signed at Ankara on the 1st March, 1930,⁽⁴⁾ shall continue to have effect, with the substitution in Article 2 and Article 3 thereof of references to the Trade and Payments Agreement signed this day for references to the Trade and Payments Agreement signed in London on the 3rd February, 1940.

II. With reference to Article 2 of the Agreement of today's date:—

(a) Upon the entry into force of the Agreement, all existing Turkish Special Accounts shall be redesignated "Turkish Accounts."

(b) The Central Bank of the Republic of Turkey (hereinafter called the Central Bank) will inform the Bank of England of any new "Turkish Accounts" which it may open in its name with other banks in the United Kingdom.

(c) (i) Other residents of Turkey may, with the agreement of the Central Bank and of the Bank of England, open "Turkish Accounts" with banks in the United Kingdom.

(ii) Nevertheless, the Bank of England will not be required to obtain the agreement of the Central Bank for the opening in the names of residents in Turkey of accounts, into which may be paid sums not resulting from current commercial and financial transactions between Turkey and the sterling area. The Bank of England will do its best to secure that such accounts will not be credited with the proceeds of goods of Turkish origin or imported from Turkey, with payments for services rendered by residents in one country to residents in the other, with the proceeds of the encashment of coupons or securities sold and sent from Turkey, with maintenance payments or with premia relating to or claims paid in respect of insurance of goods, &c.

(d) All payments by residents in the sterling area to residents in Turkey, except those referred to in Article 7 of the Trade and Payments Agreement of this day's date and those referred to in paragraph (c) (ii) above, shall be made to "Turkish Accounts."

III. With reference to Article 3 of the Agreement, the rate of premium applied by the Government

of the Turkish Republic to the pound sterling for certain operations will not be lowered while the present Agreement is in force but the Government of the Turkish Republic reserves the right to increase the rate of premium to such extent as it may judge to be in accordance with its interests.

IV. The Government of the Turkish Republic will do its best, within the framework of the Exchange Regulations in force in Turkey, to secure that payment for goods exported from the United Kingdom into Turkey can be made in accordance with the terms agreed upon between the buyers and sellers, in so far as the import of the goods concerned has been authorized.

The Government of the United Kingdom will accord corresponding facilities for payment for goods imported into the United Kingdom from Turkey.

V. Where goods exported from Turkey to the sterling area are sold f.o.b. and carried on a vessel owned by or chartered to a resident in a third country outside the sterling area and the freight is paid by the Turkish exporter on behalf of the purchaser, the Government of the United Kingdom will raise no objection to the reimbursement to the resident concerned in Turkey of the freight in the currency of the country of residence of the owners of the vessel or of the charterers of the vessel, as the case may be.

Where goods exported from the sterling area to Turkey are sold f.o.b. and carried on a vessel owned by or chartered to a resident in a third country outside the sterling area and the freight is paid by the exporter in the sterling area on behalf of the purchaser, the Government of the Turkish Republic will raise no objection to the reimbursement to the resident concerned in the sterling area of the freight in the currency of the country of residence of the owners of the vessel or of the charterers of the vessel, as the case may be.

VI. With reference to Article 4 of the Agreement of today's date, 20% of the sterling, bought by the Central Bank from residents in Turkey and representing the amount received for goods of Turkish origin imported into the United Kingdom (other than goods the proceeds of which are payable in accordance with the provisions of Article 7 of the Agreement), shall be placed by the Central Bank to the credit of a sub-account of the Central Bank's "Turkish Account" at the Bank of England. The amounts standing to the credit of this sub-account will be used for the transfers referred to in paragraph (i) (c) of Article 4 of the Agreement subject to the provisions of that paragraph and, if not so used, for payments and transfers referred to in paragraphs (i) (a) and (b) of the same article.

VII.—(i) Residents in the United Kingdom, who have sums standing to their credit in Turkey and who have registered them with the Central Bank under Decree No. 2/18669 before the coming into force of the Trade and Payments Agreement signed today, or shall so register them within three months of the coming into force of that Agreement, may, within a maximum period of 12 months from today's date, utilize such sums for the purchase and export to the United Kingdom of mohair and valonea, or sell such sums to other persons with a view to their being utilized for the purchase and export of mohair and valonea, without being obliged to pay 40% of the sterling proceeds to the "Turkish Account" of the Central Bank.

(ii) Residents in the United Kingdom, who have sums standing to their credit in Turkey and have registered them with the Central Bank under Decree No. 2/18669, whether before or after the date referred to in paragraph

DIVIDEND NOTICES

Atlas Corporation

Dividend on Common Stock
NOTICE IS HEREBY GIVEN that a dividend of 25¢ per share has been declared on the Common Stock of Atlas Corporation, payable September 1, 1945, to holders of such stock of record at the close of business August 15, 1945.

Dividend No. 36 on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending August 31, 1945, has been declared on the 6% Preferred Stock of Atlas Corporation, payable September 1, 1945, to holders of such stock of record at the close of business August 15, 1945.

WALTER A. PETERSON, Treasurer
July 31, 1945.

THE ATLANTIC REFINING CO.

COMMON DIVIDEND NUMBER 160

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

W. M. O'CONNOR
Secretary

July 30, 1945



Borden's

DIVIDEND No. 142

An interim dividend of forty cents (40¢) per share has been declared on the capital stock of *The Borden Company*, payable September 1, 1945, to stockholders of record at the close of business August 11, 1945.

E. L. NOETZEL
Treasurer

July 31, 1945



BUTLER BROTHERS

The Board of Directors has declared the regular quarterly dividend of One Dollar and twelve and a half cents (\$1.12½) per share on Cumulative Preferred Stock, 4½% Series, and a dividend of fifteen cents (15¢) per share on Common Stock, both payable September 1, 1945, to holders of record at the close of business August 2, 1945. Checks will be mailed.

EDWIN O. WACK
Secretary

July 24, 1945

(i) above, may utilize such sums for the purchase and export to the United Kingdom of goods of Turkish origin, enumerated in the Second Schedule to the Trade and Payments Agreement signed on the 3rd day of February, 1940, provided that 40% of the sterling proceeds of such goods are paid to the "Turkish Account" of the Central Bank; the balance of 60% shall be at the disposal of the resident in the United Kingdom on whose behalf the purchase was made. The provisions of this paragraph shall be subject to review and adjustment between the Contracting Parties.

VIII. With reference to Article 7 of the Agreement of today's date, the Government of the United Kingdom will do its best to facilitate through banking channels the payment to the "Commodities Account" of 100% of the value of the commodities referred to in the first paragraph of Article 3 of the Supplementary Guarantee Agreement of the 3rd February, 1940. The Government of the Turkish Republic will be responsible for implementing its guarantee for the payment to the "Commodities Account" of 20% of (Continued on page 543)

DIVIDEND NOTICES



THE FLINTKOTE COMPANY

30 Rockefeller Plaza
New York 20, N. Y.
August 1, 1945

Preferred Stock

A quarterly dividend of \$1.00 per share has been declared on the \$4 Cumulative Preferred Stock of this corporation, payable on September 15, 1945 to stockholders of record at the close of business September 1, 1945. Checks will be mailed.

Common Stock

A dividend of \$.15 per share has been declared on the Common Stock of this corporation, payable on September 12, 1945 to stockholders of record at the close of business August 29, 1945. Checks will be mailed.

CLIFTON W. GREGG,
Treasurer



OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 187
COMMON DIVIDEND No. 151

A quarterly dividend of \$1.50 per share on the Preferred Stock and a dividend of 25¢ per share on the no par value Common Stock have been declared, payable September 20, 1945, to stockholders of record at the close of business on August 22, 1945.

Checks will be mailed.
C. A. SANFORD, Treasurer
New York, July 25, 1945.

EATON MANUFACTURING COMPANY

Cleveland, Ohio



DIVIDEND NO. 82

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75¢) per share on the outstanding common stock of the Company, payable August 25, 1945, to shareholders of record at the close of business August 6, 1945.

H. C. STUESSY,
Secretary & Treasurer

July 24,
1945

WOODALL INDUSTRIES, INC.

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

M. E. GRIFFIN,
Secretary-Treasurer.

ANACONDA COPPER MINING CO.

25 Broadway
New York 4, N. Y. July 26, 1945
DIVIDEND NO. 149

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50¢) per share upon its Capital Stock of the par value of \$50. per share, payable September 26, 1945, to holders of such shares of record at the close of business at 3 o'clock P.M., on August 31, 1945.

C. EARLE MORAN, Secretary

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.

Kittrell in New Post

Colonel Clark Kittrell, Corps of Engineers, U. S. Army, has been named Executive Officer of the Army-Navy Liquidation Commissioner's Office, Mr. Thomas Bayard McCabe, Liquidation Commissioner, announced.

Calendar Of New Security Filations

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.

SUNDAY, AUG. 5

ANCHORAGE HOMES, INC. on July 17 filed a registration statement for 505,000 shares of Class A capital stock, par \$1, and 250,000 shares of Class B stock, par 10 cents.

Details—See issue of July 26.
Offering—There is to be presently offered to the public 250,000 shares of Class A and 50,000 shares of Class B to be offered in units of 10 shares of Class A and 2 shares of Class B at a price of \$60.20 per unit.
Underwriters—Andre de Saint-Phalle & Co., heads the underwriting group.

MONDAY, AUG. 6

W. T. GRANT CO. on July 18 filed a registration statement for 150,000 shares of cumulative preferred stock, \$100 par. The dividend rate will be filed by amendment.

Details—See issue of July 26.
Offering—Holders of company's outstanding 5% cumulative preferred stock will be given an opportunity by the underwriters to acquire the new preferred stock at public offering price in exchange for present shares by offering their present shares which will be received at the redemption price of \$22 per share plus accrued dividends. Offering price will be filed by amendment.
Underwriters—Lehman Brothers is named principal underwriter.

SATURDAY, AUG. 11

SOLAR MANUFACTURING CORP. on July 23 filed a registration statement for \$1,500,000 5% 15-year sinking fund debentures due Aug. 1, 1960; five-year common stock purchase warrants to purchase 57,500 shares and a like amount of common shares issuable upon the exercise of the warrants. The company proposes to sell the debentures plus 20,000 warrants to an underwriting group headed by Van Alstyne, Noel & Co. Each \$1,000 debenture will have attached a non-detachable warrant entitling the holders to purchase 25 shares of common.

Details—See issue of July 26.
Offering—The price per unit to the public will be 100.
Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

SUNDAY, AUG. 12

VIRGINIA RED LAKE MINES, LTD., has filed a registration statement for 220,000 shares of capital stock, par \$1 (Canadian).
Address—26 Adelaide Street W., Toronto, Ontario.

Business—Mining company.
Offering—The offering price to the public is 60¢ cents Canadian or 55¢ cents United States funds.
Proceeds—For preliminary exploration, drilling, engineering and assaying, etc.
Underwriters—Willis E. Burnside & Co., New York.
Registration Statement No. 2-5837, Form S-3, (7-24-45).

MONDAY, AUG. 13

MONTANA-DAKOTA UTILITIES CO. has filed a registration statement for 223,351 4-6 shares of common stock (par \$5).
Address—831 Second Avenue, South, Minneapolis, Minn.

Business—Public utility.
Offering—Price to the public will be filed by amendment.
Proceeds—The net proceeds from the sale of the stock will be applied to the payment of bank indebtedness temporarily incurred to finance the purchase of the outstanding securities of Dakota Public Service Co. from United Public Utilities Corp. when consummated.
Underwriters—To be filed by amendment.
Registration Statement No. 2-5838, Form S-1, (7-25-45).

TUESDAY, AUG. 14

ROCKLAND GAS CO., INC. has filed a registration statement for 30,500 shares of common stock, (no par). The shares are issued and outstanding and do not represent new financing.
Address—40 Lawrence Street, Spring Valley, N. Y.

Business—Operating public utility.
Offering—The price to the public will be filed by amendment.
Proceeds—All of the shares of stock offered are issued and outstanding and are being sold by General Water Gas & Electric Co. which will receive the proceeds from the sale.
Underwriters—The principal underwriters are Butcher & Sherrerd, Putnam & Co., Chas. W. Scranton & Co., Battles & Co., Inc. and Southern Securities Corp.
Registration Statement No. 2-5839, Form S-2, (7-26-45).

NOMA ELECTRIC CORP. has filed a registration statement for 247,361 shares of common stock, par \$1.
Address—55 West 13th Street, New York, N. Y.

Business—One of the largest manufacturers in the world of Christmas lighting decorations and manufacture and sale of toys and household and marine type heaters, etc.
Underwriters—None.
Offering—Company is offering its common stock to stockholders of Triumph In-

dustries, Inc., formerly known as Triumph Explosives, Inc., on the basis of two shares of Triumph common, \$2 par, for one share of Noma. Ansonia Electrical Co., a wholly-owned subsidiary of Noma, owns 200,000 shares of the common stock of Triumph. The offer of Noma is conditioned upon the acceptance of the offer by the holders of at least 80% of the stock of Triumph within the time period designated. The result of the exchange offer, when effective, will be to convert Triumph into a controlled subsidiary of Noma as of July 31, 1945, notwithstanding the fact that the exchange offer will not be consummated until a later date, the statement said. Assuming all of the shares of Triumph are exchanged pursuant to the order the shares of Triumph will be recorded on the books of the company at \$3,626,682. Triumph has 494,722 shares of common stock outstanding.

Purpose—For exchange of stock.
Registration Statement No. 2-5840, Form S-1, (7-26-45).

WEDNESDAY, AUG. 15

WESTERN LIGHT & TELEPHONE CO., INC. has filed a registration statement for \$6,200,000 first mortgage bonds, Series A, due July 1, 1975. The interest rate will be filed by amendment.

Address—Huron Building, Kansas City, Kan.
Business—The company is the surviving company resulting from the merger of Western Light & Telephone Co. into the Kansas Power Co. Public utility.
Offering—Price to the public will be filed by amendment, after the bonds are offered for sale at competitive bidding.
Proceeds—The proceeds will be used to redeem at 104½ the \$5,000,000 Kansas Power first mortgage bonds, Series A, 4%, due July 1, 1964, and at 105 the \$1,189,000 first mortgage and collateral 3¾% bonds, Series B, due May 1, 1965, of Western Light & Telephone Co.
Underwriters—To be filed by amendment.
Registration Statement No. 2-5841, Form S-1, (7-27-45).

HAMILTON RADIO CORP. has filed a registration statement for 150,000 shares of its common stock, par \$1, of which 100,000 shares are to be offered presently to the public and 50,000 shares reserved for the conversion of warrants, and 50,000 common stock purchase warrants.

Address—510 Sixth Avenue, New York, N. Y.
Business—Radio and electronic equipment.
Offering—The common stock is being offered to the public at \$5.75 per share. The common stock warrants entitle holder to purchase shares at \$5.75 per share before Aug. 1, 1950. The company proposes to sell 30,000 of the warrants to underwriters, 15,000 to Adolphe A. Juviler, President and Treasurer, and 5,000 to Percy L. Schoenen, Vice President and Secretary, at 10 cents each.
Proceeds—The net proceeds from sale of stock and warrants estimated at \$454,000 will be added to working capital in preparation of post-war activities and for general corporate purposes.
Underwriters—Van Alstyne, Noel & Co. is principal underwriter.
Registration Statement No. 2-5842, Form S-2, (7-27-45).

THURSDAY, AUG. 16

CUDAHY PACKING CO. has filed a registration statement for 100,000 shares of cumulative preferred stock (\$10 par.) The dividend rate will be filed by amendment.
Address—221 North LaSalle Street, Chicago, Ill.

Business—Meat packing business, etc.
Offering—Holders of the 85,505 outstanding shares of 6% and 7% cumulative preferred stock may exchange their stock on a share for share basis for the new preferred, with a cash adjustment. Shares of the new stock not issued under the exchange offer together with the remaining 14,495 shares are to be sold to underwriters. The public offering price will be filed by amendment.
Purpose—The purpose of the issue is to retire all of the presently outstanding 20,000 shares of 6% and 65,505 shares of 7% cumulative preferred stock and to provide working capital. Any shares of 6% and 7% preferred not exchanged will be called for redemption on Nov. 1, 1945, at \$103 and \$108.50 per share, respectively.
Underwriters—Goldman, Sachs & Co. is named principal underwriter.
Registration Statement No. 2-5843, Form S-1, (7-28-45).

PUBLICKER INDUSTRIES INC. has filed a registration statement for 100,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Address—1429 Walnut Street, Phila., Pa.
Business—Production and distribution of industrial chemicals and production and distribution of alcoholic beverages, etc.
Offering—The offering price to the public will be filed by amendment.
Proceeds—Part of the cash proceeds will be used for the retirement of bank loans and the remainder will be added to the working capital of the company and will be used to finance the increased volume of business of the company and its subsidiaries, to finance accounts receivable or applied to other corporate purposes.
Underwriters—Merrill Lynch, Pierce, Fenner & Beane heads the underwriting group, with names of others to be filed by amendment.
Registration Statement No. 2-5844, Form S-1, (7-28-45).

SATURDAY, AUG. 18

J. J. NEWBERRY CO. has filed a registration statement for 100,000 shares of preferred stock (par \$100). The dividend rate will be filed by amendment.
Address—245 Fifth Avenue, New York, N. Y.

Business—Corporation and its subsidiaries operate 491 retail stores in 45 states, selling a variety of merchandise.

Offering—The price to the public will be filed by amendment. The underwriters are expected to offer to holders of the 50,986 shares of Series A 5% preferred stock an opportunity to exchange such shares for the new preferred stock on a share for share basis with adjustments. Public offering of the unexchanged portion of the issue will be made.

Proceeds—The net proceeds of the financing will be used to redeem all of the outstanding Series A 5% preferred stock and to advance to J. J. Newberry Realty Co., a wholly-owned subsidiary, an amount sufficient to redeem all of its outstanding preferred stock. The balance of net proceeds will be added to the general funds of J. J. Newberry Co.

Underwriters—Kidder, Peabody & Co. heads the underwriting group.
Registration Statement No. 2-5845, Form A-2, (7-30-45).

CENTRAL ELECTRIC & GAS CO. has registered 65,000 shares of 4.75% cumulative preferred stock, Series A, par \$50.
Address—Sioux Falls Gas Building, Sioux Falls, S. D.

Business—Public utility.
Offering—The company will offer the new 4.75% preferred in exchange for its presently outstanding 6% cumulative preferred stock on a share for share basis. The unissued shares will be sold to the underwriters who will offer them to the public at a price to be filed by amendment.

Purpose—To retire presently outstanding 6% cumulative preferred stock. Following consummation of the exchange proposal all shares of the 6% cumulative preferred not exchanged will be redeemed at \$52.50 per share plus accrued dividends.

Underwriters—The underwriting group is headed by Paine, Webber, Jackson & Curtis and Loewi & Co.
Registration Statement No. 2-5846, Form S-1, (7-30-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed two days or more ago, but whose offering dates have not been determined or are unknown to us.

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.

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.

BROOKLYN BOROUGH GAS CO. on July 10 filed a registration statement for \$3,640,000 first mortgage bonds due Aug. 1, 1970. The interest rate will be filed by amendment.

Details—See issue of July 19.
Offering—The price to the public will be filed by amendment.
Underwriters—The bonds will be offered for sale at competitive bidding and the names of underwriters filed by amendment.

BROOKLYN BOROUGH GAS CO. July 11 filed a registration statement for 15,000 shares of cumulative preferred stock. The stock will be sold at competitive bidding and the dividend rate filed by amendment.

Details—See issue of July 19.
Offering—Price to public to be filed by amendment.
Underwriters—To be filed by amendment.

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.

Bids for Bonds Asked—Company is inviting bids for the purchase of the bonds. Bids will be received at Room 1208, 250 Stuart St., Boston 16, Mass., before 12 noon EWT on Aug. 16, the successful bidder to specify the coupon rate.

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 of common stock (par \$10).
Details—See issue of June 21.

Offering—Price to the public is given as \$35 per share.
Underwriters—William L. Ulrich, 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.

EVERSHARP, INC. on July 9 filed a registration statement for 32,500 shares of common stock, par \$1. Shares are issued and outstanding and are being sold for the account of certain stockholders.

Details—See issue of July 19.
Offering—The price to the public will be filed by amendment.

Underwriters—Lehman Brothers heads the underwriting group.
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 offered to common stockholders of record July 19 the right to subscribe to the new common at the rate of one share for each four shares held at \$20.50 per share. Rights expired Aug. 1. Unsubscribed shares will be sold to underwriters for offering to the public.
Underwriters—Maynard H. Murch & Co. heads the underwriting group.

GASPE OIL VENTURES, LTD. on May 3 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—Teller & Co.

A. HARRIS & CO. on April 23 filed a registration statement for 7,000 shares of 3½% 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.

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 is offering 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 share 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.

KINGS COUNTY LIGHTING CO. on July 6 filed a registration statement for \$4,200,000 first mortgage bonds due 1975.
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.

Bids for Bonds Asked—Company is inviting tenders for the purchase of the bonds. Bids will be received at City Bank Farmers Trust Co., 22 William St., New York 15, N. Y., up to 11 a.m. EWT Aug. 6, the successful bidder to specify the interest rate.

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.
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.

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.

Issue Disapproved—The New York P. S. Commission on July 30 disapproved of the proposed refinancing.

O. K. CO-OP RUBBER WELDING SYSTEM on June 12 filed a registration statement for 500 shares, par value \$1.00 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."

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 were mailed July 18, 1945, to holders of record July 16. 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. Rights expire July 31.
The offering price of the stock is \$11 per share.

Underwriters—In an amendment filed July 13 company announced that offering would be made without underwriters. Originally Harriman Ripley & Co., Inc. and Drexel & Co., were named underwriters.

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4¼% 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.

RED BANK GAS 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 54½% of the outstanding stock of Seatec 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.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for \$500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.
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.

Underwriters—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.
ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,058 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, 4 1/2% series due 1974 and to reduce the aggregate principal amount of its indebtedness to \$7,750,000 by redeeming the outstanding bonds and issuing \$3,750,000 of new bonds. The bonds will be sold at competitive bidding.

SEABOARD FINANCE CO. on July 12 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.

Details—See issue of July 19.

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

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

SOLAR AIRCRAFT CO on July 12 filed a registration statement for 50,000 shares of common stock, par \$1.

Details—See issue of July 19.

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

Underwriters—Reynolds & Co. is named principal underwriter.

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for \$2,375,000 first mortgage bonds, 3 3/4% series due 1975; 8,500 shares 4 3/4% 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.

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—Stockholders of record July 24 are given the right to subscribe at \$27 per share in ratio of one new for each four shares held. The unsubscribed shares will be sold to the underwriters for offering to the public.

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

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. Cerr 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.

Anglo-Turkish Trade, Payments Agreements

(Continued from page 541)
the value of the articles referred to in the second paragraph of the said Article 3.

IX. In accordance with Article 1 of the Agreement of today's date, the Anglo-Turkish Clearing operated under the Agreement of the 3rd February, 1940, will be wound up by the following measures:

(1) The Clearing Office will cease operations on the General Account after the 21st May, 1945, except for such adjusting entries as may be agreed with the Central Bank to be necessary, and will then transfer any balance remaining on that account to the Central Bank's "Turkish Account" at the Bank of England. To the extent that the aforesaid adjustments may require the provision of funds for the General Account, such provision will be made from the Central Bank's "Turkish Ac-

New Group of Opinions Presented Regarding Competitive Bidding

(Continued from page 516)

is supposed to protect. If competitive bidding did not exist and the SEC would reverse its policy and not support this policy then the public would be able to buy securities at lower prices.

HAROLD H. HUSTON

Harold H. Huston & Co., Seattle, Washington

During this period of cheap money high grade industrial issues may bring a somewhat higher price under a system of competitive bidding so if that is what is desired let them go to it. Perhaps some time in the future money will not be so easy and when that time comes any gains that have been made during this easy money period will be given back under a competitive bidding system.

We are a small shop and at one time did most of our business in Municipal Bonds. We handled all the high grade corporates we could place. Our stock business contributed a small part of our gross.

We handle few municipals, or high grade corporates. Our business is almost entirely in 2nd and 3rd grade Bonds and common stocks.

It appears to me we will be handling only U. S. Govts and stocks in the near future.

So let the big institutions compete for the high grade top stuff, Municipals, Utilities, Rails, Industrials.

A DES MOINES DEALER

It seems to us that there are two primary factors which made the case for competitive bidding for utility securities and railroad securities of reasonable, practical application. In both instances regulatory bodies of Federal and State, or both, supervised many aspects of the business including the establishment of rates; secondly, the type of financing used is in general not complicated and follows a fairly set pattern; and, thirdly, and particularly with reference to the utility business, the comparative stability of the business lends itself to a simple and fairly cut and dried method or formula of financing.

It seems to us that in the industrial field, none of the above factors apply: there are no rates to be passed upon, there is little stability in the character of many industrial enterprises, and there certainly is no standardized pattern for the type of security to be used.

It might be that the character of some industrial financing might be improved from the standpoint of the investor, if there were an authority or supervisory body of adequate ability and proper intent, but we know of no such and certainly would not propose the establishment of another Federal Agency or Bureau. It seems to us that in recent years the underwriters themselves have made material improvements in some of the standard practices and requirements and safeguards relative to the securities, and it would be our belief that further improvement in this respect may naturally be expected as the large institutional investors dominate the market as they now are unquestionably doing.

We in conclusion do not believe that the industrial field lends itself properly to competitive bidding. Moreover, it seems to us that the spread or profit in some of the recent industrial underwritings must indicate extremely intense competition now existing among some of the large underwriters.

As a decided improvement on the whole subject of competitive bidding, we would like to suggest that the SEC provide a rule by which there would be not less than 1 1/4 points profit or spread in any bond underwriting, and not less than a 3% spread or profit in a preferred stock underwriting. The investing public gets stuck anyway, and a more profitable underwriting business undoubtedly would be more amenable to regulation and could also do a better job of helping to pay the national debt.

ALEXANDER MACKENZIE

Mackenzie & Co., Inc., New York City

We are against competitive bidding on all corporate issues. It may seem to have been successful but I believe this is only due to continually rising prices. It works a hardship on the small dealer.

W. A. MCKINNEY

V. P. McKinney-Ohmart Company, Wichita, Kans.

Some one very wisely said "That government is best which governs least." Within limitations we believe this statement is sound. In a general way we believe that it should apply to the field of public financing. Unless there are good and sound reasons for requiring corporations to sell their securities at the highest price received at a competitive sale it goes without saying that the government should maintain a "hands off" policy. Now what are the facts?

In the first place we concede that there are some good reasons

count" at the Bank of England.

(2) Any sums thereafter recovered by the Clearing Office shall be transferred by the Clearing Office to the Central Bank's "Turkish Account" at the Bank of England.

(3) Any orders of payment, drawn on the General Account by the Central Bank but not delivered to the Clearing Office by the 21st May, 1945, shall be forwarded to the Bank of England and shall be discharged from the Central Bank's "Turkish Account."

In witness whereof, the undersigned, being duly authorized to that effect, have signed the present Protocol and have affixed thereto their seals.

Done in duplicate in London this fourth day of May, 1945, in the English language.

A translation shall be made into the Turkish language as soon as possible and agreed between the Contracting Parties. Thereafter both texts shall be considered as equally authentic for all purposes.

(L.S.) Richard Law.
(L.S.) M. C. Acikalin.
(L.S.) Cahid Zamangil.

1. "Treaty Series No. 7 (1941)," Cmd. 6269.
2. Cmd. 5754.
3. "Treaty Series No. 7 (1941)," Cmd. 6269.
4. "Treaty Series No. 40 (1930)," Cmd. 3695.

why railroad, light, gas and telephone companies should be required to sell securities at competitive sales. These public service industries are monopolistic by nature. In theory at least, any exorbitant cost of financing is loaded on to the consumers. Regulation of rates charged the consumers is now generally accepted as a proper governmental function. It may be that regulation of capital financing is equally reasonable. Perhaps the competitive bidding rule is the best way to gain for consumers the lowest possible cost of the necessary capital required by these monopolistic public service corporations.

However the same line of reasoning does not follow in competitive lines of industry. If an industrial corporation submits to an overcharge in obtaining capital it merely gives its competitors an advantage. Competition will correct the abuse and punish the offender, because the overcharge cannot easily be passed on to the consumers.

Business generally is subject to too much regimentation now. We decry any attempt to fix upon private industry (not monopolistic in its nature) the competitive bidding rule. If it is adopted why not go the whole way and make it also apply to short time borrowings—have the commercial banks bid competitively for short term loans. We wonder if the SEC has given thought to this last idea.

R. B. NEWMAN

Pres., Newman and Company Colorado Springs, Colo.

Being a small firm and engaged in the security business, I naturally am bitterly opposed to competitive bidding for industrial issues. Since we are not large enough to take underwriting positions, competitive bidding for railroad and public utility issues has practically eliminated us from participation in this business. In other words, from the client's viewpoint, because he happens to live in a small community, he does not get a chance to buy new issues in the railroad and utility field. It goes without saying that the margin of profit for the selling group in a competitive issue is ordinarily so small that we cannot afford to be interested.

In my mind, the trend of the security business, as a result of SEC regulation is definitely toward eliminating the small firm which does not have the volume to do business on the narrow margin that the firms located in the financial centers have. In other words, SEC's so called protection for the investor and supposed regulations for large business, in the long run is going to result in the elimination of small business just as the NARA did in its heyday.

ELI T. WATSON

New York City

I cannot see where anybody except the issuing companies, in some instances, are being benefited by competitive bidding. On the other hand the investment banking fraternity, and by that I mean the underwriters are having their bones picked bare.

The commissions in Selling Groups have dropped to such small fractions that the thousands of dealers throughout the country cannot afford to participate. By the time they pay their phone calls and clearance charges most of the new offerings show them a loss rather than a profit.

There is just one bright spot in the situation, as I see it, and that is if we did not have competitive bidding the whole of new underwritings and refundings might drop into the lap of the big life insurance companies, and there would be no investment banking business.

It is certainly a sorry mess, and in my opinion could have been so easily avoided if the Eastern Group of underwriters had made room around the table for the Western Group.

LESLIE J. WERSCHKUL

L. J. Werschkul & Sons, Portland, Oregon

You have asked for opinions on the subject of competitive bidding for new issues. We believe that in case the company in question desired competitive bidding, this privilege should not be denied. Such circumstances however would, we believe, be greatly in the minority.

In your asking how we feel about compulsory competitive bidding, we believe it to be disadvantageous all around. Most of our great corporations have grown up with the counsel of one or more underwriting houses and such a relationship has distinct advantages. Between them they have the feel of the market and arrive at fair prices with reasonable (and certainly not unreasonable) allowances for costs of distribution. Using this sort of team work produces good results.

In normal times when there is not the abnormal demand now existing, compulsory competitive bidding could result in prices out of line with the market. This would result in dissatisfied purchasers. It would also leave the industrial organization without steady and sound financial counsel.

RALPH FORDON

Watkins & Fordon, Inc., Detroit, Mich.

I am opposed to competitive bidding. Incidentally, you have a vital publication.

A. CLEVELAND, O., DEALER

Never have been in favor of competitive bidding. It has a tendency of overpricing. Reduces profit to selling group members. Small investors and institutions do not get opportunity to buy attractive issues. Prevents a wider distribution.

H. PRATT

H. P. Pratt & Co., Seattle, Wash.

I wish to say that I oppose compulsory competitive bidding for all securities for the following reasons:

1. It is a form of regimentation.
2. It prevents the investment banker from the advantages of obtaining the full and complete detailed information which he would necessarily obtain were he the issuer's advisor.
3. It prevents the issuer from obtaining the close and confidential expert advice which in many, and probably most cases, he needs from an investment banker.

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market continued its downward drift the greater part of last week, on light volume. . . . Declines were about the same as those for the previous week, although a substantial part of last week's recession was the result of a marking down of bids rather than the pressure of liquidation. . . . The sharpest mark-downs took place last Thursday in sympathy with the weakness in other financial markets following the British elections, and in anticipation of a change in the discount rate, expected that day. . . . The announcement by the Federal Reserve Bank of New York of no change in the discount rate came too late in the afternoon to have any effect, since the Government market had closed. . . .

On Friday prices moved cautiously ahead to end the day on the plus side. . . . The recovery has been more vigorous this week. . . .

Undoubtedly the better tone now in evidence in the Government bond market is due largely to the fact that the discount rate was not changed although it is only one factor in the situation. . . .

LARGEST DECLINE

The longest maturity again showed the largest decline as the bank eligible 2½% due 1967/72 went off more than a half-point. . . . This bond at the low of last Thursday had given up 1¼ points since July 16th, the day that the reports of peace developments and discount rate changes became important market factors. . . . Despite the recent price improvement this bond is still well under its high for the year. . . .

The 2½% due 1956/58, has resisted the decline quite well, being off less than ¾ of a point from its high. . . . This is attributed to the fact that it will be within the ten-year maturity range next March. . . .

PARTIAL EXEMPTS WEAK

The partially exempt obligations were marked down, as the last four maturities showed declines from ¾ to ½ point. . . . The 2¾% due 1960/65 was the largest loser. . . . The recession in these bonds was due in part to the recent decline in the taxables and to Senator George's statement that taxes should be revised downward as soon as possible after the ending of the Japanese war. . . .

The 2s at last Thursday lows had given up a considerable part of their recent gains, with losses up to ½ point having been registered in the last two weeks. . . . This brought the 2s of 1952/54 1951/55, 1951/53, 1949/51 back to the levels of early April. . . . The 1½s due 1950 went to a new low of 101, off about ½ point from its high of the year. . . . A substantial part of the decline in the 2s and 1½s was made up this week. . . .

RESTRICTEDS SUFFER

The restricted issues were led on the downside by the 2¼% due 1956/59, which was off about ¾ of a point at last Thursday low from the high of the year, made on the 15th of last month. . . .

The 2¼s of 59/62 and the 2½s due 6/15/67/72, the Seventh War Loan obligations, made new lows since they were traded in the open market, with decline from the middle of July to last week's lows amounting to almost ½ of a point. . . .

The other restricted issues at last week's lows were off slightly more than ½ point from their highs. . . . The uptrend in these bonds since last Friday has erased a large part of the recent decline. . . .

GRADUAL IMPROVEMENT

It is believed that the Government market will continue to improve gradually with some hesitation looked for on Thursday to see if there will be any change in the discount rate. . . . Indications are that the Governmental authorities are intent on stopping speculative purchases of Government bonds. . . . This type of buying has been concentrated recently in the longer terms, both the bank eligibles and the restricted issues. . . . If this borrowing, buying and trading by individuals, financial institutions and corporations cannot be stopped by warnings there no doubt will be direct action by the money authorities to put an end to it. . . .

Trading Markets in

Bendix Home Appliances	Wilcox & Gay
Clyde Porcelain Steel	Utah Idaho Sugar
Baltimore Porcelain Steel	Amalgamated Sugar
Ironrite Ironer	Bendix Helicopter
Globe Aircraft	Du Mont Laboratories
Lear Inc.	Telecoin Corporation
Majestic Radio & Television	Mississippi Central Common

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TECHNICALLY STRONG

The technical position of the Government bond market improved last week, with securities moving out of weak hands into strong ones, as prices receded. . . . Nevertheless there are obligations that still have to be absorbed before the market will be in a strong position again. . . . The system loans to brokers and dealers for carrying Governments have declined for the last four weeks, with the decrease from July 3rd to July 25th, amounting to \$356,000,000. . . . Loans to others are down \$340,000,000 for the same period. . . . New York City member bank loans to dealers have been lower each week since June 27th, with the decrease aggregating \$331,000,000 from that date to the week ended July 25th. . . . Loans to others, from July 3rd to July 25th, are off \$207,000,000 with a decline of about \$100,000,000 being reported for the week ended July 25th. . . .

The decline in brokers loans, indicates that dealer positions have been lowered substantially and they will be able to lend greater support to the market. . . .

The decrease in loans to others, means that borrowings for the purchase of Government bonds by investors, as well as speculators and "free riders" are being paid off. . . .

CAUTION ADVISED

Now that a large number of speculative commitments have been liquidated, investors are beginning to register a real interest in the market. . . . They are looking for a buying level, which may have already been reached, since the market has turned up although volume has not been large. . . . A cautious attitude is still advisable, however, because of the uncertainties that can cause unsettlement in the Government bond market, which may result in sharp and fast movements in both directions. . . . Although money market experts and shrewd traders are of the opinion that the Government bond market is in a buying range, they are not recommending that buyers put all their eggs into the basket at one time. . . . They are advising that purchasing be done on a scale basis. . . .

It was pointed out that this procedure makes it possible for buyers to take advantage of price movements in either direction, which should result in a satisfactory price for the entire commitment. . . .

South Coast Bonds Are Offered Publicly

A banking group headed by Paul H. Davis & Co. on Aug. 1 made a public offering of a new issue of \$2,500,000 of first mortgage 4¼% sinking fund bonds of the South Coast Corp., priced at 102½% and accrued interest. The bonds are due June 30, 1960, and

are redeemable to and including June 30, 1946, at 105%, and thereafter each June 30 at graduated prices to 100½% to June 30, 1956, and thereafter at par.

Proceeds from the financing will approximate \$2,455,000, of which about \$1,490,000 will be used to redeem at 104% the \$1,437,000 of first (closed) mortgage 5% sinking fund bonds due Dec. 31, 1955.

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