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The COMMERCIAL and FINANCIAL CHRONICLE

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Relax Restrictions On Currency Imports

Limits on Foreign Currency and U. S. Bills of $20 or Less Removed

WASHINGTON, Aug. 8.—Secretary of Treasury Vinson announced today relaxation of Treasury Department restrictions on the importation of currency. Foreign currency without limitation and United States currency in denominations of $20 or less may now be freely imported.

Secretary Vinson

The Secretary recalled that "one of the purposes of the currency controls was to reduce the foreign exchange value to the Germans of United States currency in their possession. The defeat of Germany has made it possible to eliminate the import controls over small-denomination bills. This action removes an inconvenience to travelers to the United States and is a further illustration of the Treasury's desire to remove wartime financial controls as rapidly as conditions permit."

There has also been removed the restrictions of General Ruling

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Nat'l Economic Activity in 1945

By LOUIS J. PARADISO AND LAWRENCE BRIDGE*

Commerce Department Statisticians, Asserting That the Effects of Transitional Changes From Wartime Economy Should Not Be Viewed With Too Much Optimism, Point Out That Although Liquidation of War Stocks Will Be Offset By Building Up Inventories in Civilian Goods, Unemployment Will Rise Until Industry Gets Well Underway on Reconversion to Peacetime Products. Sees Some Deflation in Production and Income in Second Half of Year, But With Favorable Business Conditions and Income. Holds Major Problem Is How Reconversion Can Be Speeded, Since More Goods for Civilians Is Answer to Reemployment Problem.

This year will see the turning point in national economic activity. In general, the steady upward trend in production and income

Louis J. Paradiso

Lawrence Bridge

which has continued since the beginning of the European war in 1939 will be reversed in the second half of the year.

This downturn from the peak records of the first half will follow from cutbacks in the war pro-

*Reprinted from "Survey of Current Business," July, 1945, published by the U. S. Department of Commerce. Mr. Paradiso is Chief, and Mr. Bridge is a member of the Business Statistics Unit, Bureau of Foreign and Domestic Commerce.

(Continued on page 636)

Finances in Wonderland

By MELCHIOR PALYI

Saying "The More We Waste the Richer We Seem to Become", Dr. Palyi Predicts That This "Greatest Miracle of Economic History" May Last for a Considerable Period After V-J Day. Sees Combined Effect of Stimulating Consumers' Expenditure as Carrying Wartime Inflation of Employment Into Its Peacetime Equivalent but Warns That Idea of Out-Producing Inflation Is Preposterous. Holds a Fundamental Disequilibrium Between Effective Demand and Supply for Goods Will Come Despite Controls but Looks for Upsetting Experiments Along Totalitarian Lines.

The Financial Miracle

Money in circulation (outside the banks) has reached over $25 billions, rising at the annual pace of almost $5 billions. Total bank deposits—other than inter-bank balances—are over $135 billions and grow at the rate of approximately a billion per month. The short-term and cashable debt of the government in the hands of the public—practically deposits with the Treasury—amounts to some $80 billions, a staggering $30 billions over and above a year ago. Total per capita purchasing power, actual and potential, was scarcely more than $450 in 1933, but $1,400 by the middle of 1944. Presumably, it will be $2,500 a year hence.

Dr. Melchior Palyi

"Good work," so far as the printing press is concerned. Industrial wage bills are limping

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Impact of the National Debt Upon Banks and the Capital Market

By SIMEON E. LELAND*

Professor of Government Finance, University of Chicago

PART I

THE DEBT AND THE BANKS

After Reviewing the Growth of the National Debt and the Composition of the Holders, Professor Leland Discusses the Problems of Future Issues. Doubts That After the War Patriotic Urges Can Be Depended Upon to Assure Substantial Sales to Individuals, Particularly if There Are Investment Alternatives. Holds Banks and Financial Institutions May Also Shift Their Holdings to Higher Yielding Securities, and Sees Possibility of Treasury Refunding Into Higher Yield Issues, if FRB Open Market Operations and Other Devices for Supporting Market of Government Bonds Fail.

Simeon E. Leland

An attempt to discuss future policies always creates the risk of substantial error. The future is uncertain; many policies are undetermined. But in dealing with the problems of the national debt some of the uncertainties are certain and not a few of the imponderables are capable of delineation. The debts of today produce known problems to be wrestled with tomorrow. Few current questions are as pressing for solution; few possess as serious consequences for economic gain or loss as the management of the national debt.

*Reference data at end of first column on page 632.

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Reconversion Not Fast Enough

By Hon. JAMES M. MEAD*
U. S. Senator From New York

President Truman's Successor as Chairman of the Senate Committee Investigating the National Defense Program Urges a Stepping Up of Reconversion. Says Unless Civilian Economy Is Diverted Back Into All Its Peacetime Energy Widespread Unemployment and Business Depression Will Develop and the Whole Social Fabric of Our Society Be Cut Up. Calls for a Dovetailing of Our Pacific War Production With Civilian Production and Accuses the Government of Failing to Give Help to Business and Industry to Reconvert Quickly. Advocates Removal of Wartime Controls and Restrictions.

The Special Committee of the United States Senate Investigating the National Defense Program, of which I have the honor to be Chairman, has just issued its fourth annual report. In it we make recommendations based on long, careful study. We state conclusions reached only after painstaking investigation of the facts.


Sen. James M. Mead

I would like to re-emphasize some of the findings in the Committee report. We point out that during the time when we were fighting a war on two fronts, our requirements and objectives were relatively simple. Inflicting military defeat upon the enemy was then the paramount objective. Almost everything we did was governed by one burning question: Will it win the war in the shortest possible time? We still have to ask ourselves that question to insure speedy victory over Japan with the least loss of life of our fighting men. However, since the defeat of Germany, our problems have become far more complex. Now we must not only accomplish the goal of beating Japan, we must also achieve our other goals. If we don't, eventual military success in the Pacific may prove meaningless.

One of the prime purposes is to strengthen our civilian economy and divert back into it all the energy in the form of peacetime production, which is not required for military use. We should provide jobs for all our returning servicemen and for all others able and willing to work. Otherwise, widespread unemployment and

*A radio address by Senator Mead over the Columbia Broadcasting System, July 31, 1945.

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Alfred E. Loyd Now A Republican Committeeman For New York County

At the primaries recently held in the City of New York, Alfred E. Loyd was elected a member of the Republican County Committee of the County of New York. It will be recalled that until a couple of years back Mr. Loyd did business in over-the-counter securities from White Plains, N. Y., as Alfred E. Loyd & Co. The firm was active for over 25 years.

Basic Transportation Policy Needs

By DONALD D. CONN*
Executive Vice-President, Transportation Association of America

Holding That Private Ownership of Transportation Sets the Stage for All Private Enterprise, Mr. Conn Alleges That Unless Care and Deliberation Is Taken to Assure Equal Opportunities and Equitable Competition for All Forms of Transportation Facilities, Without Regulatory Discrimination, All Sorts of Socialistic "Isms" Will Result. He Criticizes the "Crazy Quilt" System of Conflicting Regulation of the Various Transportation Types and the Use of Government Credit and Taxes to Support Some Carriers at the Expense of Others. Advocates Preserving Competition and Coordination Between the Various Systems, and Calls for a Single Governmental Regulating Body for All Forms of Transportation.

In the world of tomorrow the United States becomes a partner in a community of nations. No longer can we ignore the ideologies of other countries.


Donald D. Conn

Problems of great magnitude, both in the domestic and international fields, invite us to experiment with new philosophies of government. Unless the signposts of freedom and private ownership are clearly marked on the road we travel, it will be easy to detour and follow the paths that Europe has taken, and these paths, as history shows, lead to the same destination—the substitution of the authority of the state for that of the individual, complete centralization of government in the hands of a few, state ownership of property, the loss of freedom.

The basic philosophy of our republican form of government is private ownership and management of property. State socialism in any country means government ownership and management of property. Government ownership of transportation precedes the adoption of any one of these foreign "isms." Only in Great Britain, the United States, and the Canadian Pacific System in Canada does private ownership of transportation still prevail.

Transportation policies are the keystone in the arch of the governmental structure of every nation. How we deal with the transportation problem in the United States in the next few years may determine public attitude and Congressional policies toward agriculture, industry, and finance in the period just following the war. Transportation may set the stage for all private enterprise.

Next to agriculture the transportation industry is the largest segment of the economy. It represents, in peacetime, approxi-

*An address by Mr. Conn before the Aviation Industry Forum, New York Board of Trade, New York City, July 27, 1945.

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The Future of Municipal Bonds

Noting the Marked Decline in the Yield of Municipal Bonds Due to Tax Exemptions and to Court Decisions Upholding Federal Non-Taxability, Writer Holds That Because of Prospective High Post-War Income Tax Rates, Municipals Should Continue to Have a Strong Appeal for Investors in High Income Brackets. However, Because of Larger Prospective Municipal Financing and Reluctance of Investment Institutions to Buy or Hold Municipal Obligations, as Well as Other Factors, It Is Concluded That Municipal Bond Prices Are Close to Their Highs for Years to Come.

Prices for municipal bonds reached an all-time high about May 1, 1945, and conversely, yields from this class of investment reached the lowest level on record.

Leslie H. Bradshaw
Editor
"Investment Timing"

Municipal obligations of investment calibre, however, remain attractive for individuals who are in the higher tax brackets.

Price trends in the municipal market remain under the influence of such factors as (a) interest rates; (b) taxes; (c) volume of financing, and (d) sources of demand.

Marked Decline in Yield

Under the 1933-44 era of managed money markets, prices have steadily risen, with corresponding declining tendency in yields. In this 12-year period the average price of 20 selected issues advanced 34 points from 92½ to 126¼; conversely, yields of these municipal bonds, which averaged 5.18% in 1933, had declined to 1.35% in 1944.

According to a survey by the Chemical Bank & Trust Co., covering the 12 years from Dec., 1933, to Dec., 1944, 100 bonds with an average maturity of approximately 16 years showed an appreciation from 90⅞, yielding 5.29%, to 133⅛, yielding 1.61%.

At July 24, 1945, the average price of the municipal bonds was

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The Recent NASD By-Law Amendments

Recent Amendments to NASD By-Laws Requiring Registration of Certain Personnel Should Be Disapproved by SEC. Reasons Calling for Such Disapproval. NASD Governors Now Empowered to Submit By-Law Amendments Controlling Profits and Commissions. Difficulties Besetting Definition of "Reasonable Profits." New Powers an Indigestible Morsel. Such Control Endangers Industry as a Whole. Not Relished by Public.

Dealing with the recent NASD by-law amendments which, amongst other things, provide for the registration of partners, officers, salesmen, traders and other employees of member firms, a letter addressed to the members of the National Association of Securities Dealers, Inc., and signed by Wallace H. Fulton, the Executive Director, dated Aug. 2, 1945, contained the following:

"The amendments will now be filed with the Securities and Exchange Commission. If the SEC does not disapprove within 30 days, they will become effective Oct. 1, 1945."

In our opinion, the following reasons would not only justify the SEC in disapproving these amendments but also require that the amendments be so disapproved:

(1) The violation of Article IX of the by-laws by reason of a failure to provide for a complete secrecy of the ballot, including secrecy as to the identity of non-voters.

(2) Again, the violation of Article IX of the by-laws evidenced by pressure methods used on non-voters by the Governors and their official representatives. Some of these representatives have specific powers in disciplinary proceedings. What effect upon the ultimately responding non-voters a knowledge of these powers has is not hard to imagine. Certainly this was not conducive to a free expression of opinion.

(3) Mass voting on all the amendments, i. e., one all-inclusive vote on Article XV, which is the new article dealing with registered representatives, and on amendments to Article VII, Article II, and Article V as well as certain amendments to the procedure for handling trade practice complaints.

This type of balloting made possible for the Board a filching of new powers relating to the regulation of profits and commissions.

When by-laws or amendments to by-laws contain distinct subject matter, as they should, they ought to be distinctly and separately voted upon.

One of the new powers acquired by the Board under the recent amendments to Article VII, Section 1, is the power to submit to the membership rules of fair practice "to pro-

(Continued on page 643)

State Department Spokesmen Uphold Use of Troops

Acheson and MacLeish Contend That Under United Nations Charter President Has Power to Employ Our Forces Without Specific Congressional Authority.

In the 25th of a series of radio broadcasts over the NBC network, featuring authoritative statements on "Our Foreign Policy" by responsible officers of Government departments on Aug. 4, Assistant Secretary of State Dean Acheson and Assistant Secretary of State Archibald MacLeish discussed the implications of the Senate ratification of the United Nations Charter. Both officials expressed the view that under the provisions of the Charter as well as in line with the debate in the Senate, the President has full power to employ military forces of the United States when called upon to suppress aggression without each time going directly to Congress for approval. But, at the same time, it was pointed out that military agreements will have to be

Archibald MacLeish

Dean G. Acheson

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More Comments on Competitive Bidding

We continue in this issue publication of letters received by the "Chronicle" in connection with its invitation for comments regarding the subject of competitive bidding on corporate financing. Other expressions were given in earlier issues beginning with that of July 12 and starting on page four in each instance. We invite the views of those desirous of expressing themselves in the matter and request that correspondence be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. Naturally, if the writer prefers to remain anonymous, a request to that effect will be observed.

J. J. KISER

Pres., Kiser, Cohn & Shumaker Inc., Indianapolis, Ind.

We are very much opposed to competitive bidding, both as it exists today and especially against any extension of the same to industrial issues.

It has been our experience that it is very difficult for a small house such as ourselves to participate in the distribution of issues sold at competitive bidding.

We are unable to participate in most of the syndicates and find that without knowing in advance who is going to be the successful purchaser that generally the bonds are all gone before we get a chance to participate in the distribution as selling corporation members. We feel that the only result of the extension of the competitive bidding rule to industrial issues would be to practically put the small houses out of business so far as the distribution of new issues is concerned.

* * *

AL HUGHBANKS

Pres., Hughbanks Incorporated, Seattle, Wash.

While we have not been interested in the recent past in underwriting, it is our feeling that any extension of competitive bidding requirement to industrial issues will be a mistake. I note you indicate that the thought is to require competitive bidding only on the high grade industrial issues. It seems to me this would create a great deal of uncertainty as to whether an issue was high grade or whether it was high grade because if its size, or if an issue was offered to the public that had not been subject to competitive bidding, immediately the investors would infer such an issue was not high grade or at least not of sufficient grade to attract the attention of the SEC. We feel that this would be just one more restriction to the free flow of capial.

* * *

A BOSTON DEALER

It has always been a point of interest to me as to who can guarantee there will be any bid at all for securities of companies not well known. And if you exempt some when and how does one

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BOSTON

Geo. Roberts With Douglass

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CAL.—George D. Roberts has become associated with Nelson Douglass & Co., San Diego Trust & Savings Building. Mr. Roberts was formerly with Protected Investors of America and in the past was a partner in Wheaton & Roberts.

DETROIT

GRAND RAPIDS

PHILADELPHIA

Canadians Sensitive About Gold Share Dealings

By HERBERT M. BRATTER

Writer, After Visting Toronto, Reports on Canadian Attitude Regarding Criticism of the Distribution of Gold Mining Stocks Among Americans. Quotes Toronto Press Opinion Upholding Gold Mining Promotions and Resisting Powers to Enforce U. S. Laws in Canada. Cites Canadian Accounts of High SEC Registration Costs and Restrictive State Security Commissions' Regulations as Discouraging Normal Methods of Distribution in U. S.

A good deal of American money lately has been going into Canadian gold stocks as a result of mail, telephone and telegraph solicitation from Toronto, and the SEC has bestirred itself on the matter, although it is without power to act in Canada. The writer, while in Toronto recently, was informed that Canadians hold an entirely different view of the activities of their gold stock promoters in the USA, and it is clear they are somewhat disturbed at the black eye which American newspaper publicity is giving not only the Canadian promoters of new gold stocks, but the entire Canadian mining-stock industry.

Herbert M. Bratter

Therefore, when Mr. John T. Callahan, special counsel for the SEC, visited Toronto in June he was interrogated at length concerning the SEC's role in the American criticism of Canadian gold-stock promotion. Apparently Mr. Callahan talked much more freely to Canadian reporters than SEC officials are wont to talk with American newspapermen. Mr. Wellington Jeffers, financial columnist in the Toronto "Globe and Mail," on June 22 published a lengthy article consisting of 26 questions put to Mr. Callahan, and the latter's detailed answers thereto.

Mining is most important to Ontario, and to Canada as a whole. Newly-mined gold is of material significance to Canada's balance of payments, as long as Washington makes a market for foreign gold offerings. Defenders of Toronto's gold-stock promoters are motivated by these facts. To counteract the effects of such American headlines as: "Stock Frauds Laid to 355 Canadians—SEC Lists 190 Actions Taken by 9 States in 2½ Years for Illegal Sales," Toronto papers carry stories under such headlines as the following:

"Present Century Still Canada's in a Mining Way."

"Lode-Gold Mines of Ontario Lead This Hemisphere."

"Porcupine Gold Has Well Repaid U. S. Capital Aid."

"Ontario Metals Neck-and-Neck With Arizona."

"Nickel-Copper Sudbury Mines Lead the World."

"Ontario Mines Have Done Well for Americans."

"U. S. Statistics Prove Ontario's Gold Leadership."

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Our Meat Situation

By LEE M. WELSH

Mr. Welsh Holds That Rationed Civilian Consumption of Meat Is Approximately 66 Pounds Per Year Per Capita While Supply This Year for Civilian Use Is 124 Pounds. Sees in This a Large Supply Sold in Black Market, and Estimates It at 25 to 35 Pounds Per Capita. Compares British With American Meat Rationing and Concludes That on Per Capita Basis, the Britisher Gets as Much as the American Because of More Efficient Distribution.

That something is very wrong in our system of distributing meats to our civilian population is apparent to everyone. It might be interesting to look at the situation in detail and see just how badly our system has broken down.

L. M. Welsh

Recently the Department of Agriculture estimated that the total meat production this year will amount to 22.5 billion pounds. This figure is on a wholesale dressed-meat basis and is only 9% less than the record output of 1944. Non-civilian purchases of meats, including military purchases, WFA purchases and commercial exports, last year totaled 5.6 billion pounds and this year are expected by the Department of Agriculture to amount to about 6.5 billion pounds, just about the quantity taken out of the civilian supply in 1943.

The quantity of meats available to the civilian population this year will be about 16 billion pounds against a supply last year of 19 billion pounds. On a per capita basis this amounts to 123.9 pounds per person while in 1944 it was 148.9 pounds. The decline of 17% in our meat supply is important but we would take it without comment if that were the end of the story.

Each American receives 50 red ration points a month and at present point values the cost of a pound of meat is 5 or 6 points. It is hard to strike a true figure for this cost, but a simple average of all the point-prices of the various cuts of meat on the OPA list yields a figure of 6 points per pound. To be conservative, let's assume that meat costs 5 red points per pound. The OPA estimates that the average person spends 22 of his month's red points for butter, lard, shortening, cheese and salad oils; then he can buy about 5½ pounds of meat with the balance of his points. His meat comes to 66 pounds per year, and although his butcher's shelves are bare part of the time, he will probably get his 66 pounds from his butcher after much waiting and shopping around.

But the total amount of meat available per civilian this year is 124 pounds. Some of the missing 58 pounds is going into restaurants and factory lunch room or is consumed on the farms on which it is raised but a large share is being sold through the black market. The following is just a guess, but it seems reasonable to estimated that 25 to 35 pounds of meat per capita is finding its way to the consumer without accompanying transfers of red points.

Here is another angle to this situation. There recently appeared in the London Economist a detailed statement of the meat and fat ration which has been in effect in Britain, with only temporary increases, during 1944 and up to the present. Several of the items have just been or are about to be reduced. but last year's figures are satisfactory for our purpose. They are shown in the table below which also shows the number of red points which would be required in the United States to buy the quantities of meats and fats in the British ration.

	British Ration per person per week	U. S. Red points per lb. (June 1945 rates)	U. S. Red Points needed to buy British Ration
Meats	1 s. 2 d. (or about 1 lb.)	5	5
Bacon	4 oz.	8	2
Cheese	3 oz.	9	2
Butter	2 oz.	24	3
Margarine	4 oz.	12	3
Cooking fats	2 oz.	10	1
Total points			16

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Public Utility Securities

Niagara Hudson Plans

Niagara Hudson Power got into trouble in 1942 over some property account adjustments of a subsidiary (ordered by the FPC), and while preferred dividends were earned with a good margin, none have been paid since Aug. 1 of that year. While the system was a compact one, located in New York State, the SEC had jurisdiction, and some simplification of system capital structure was apparently required. The company proposed a broad plan of reorganization and merger, but this met with objections from the New York Public Service Commission, which demanded a big increase in depreciation reserve based on a special theory (retroactive straightline depreciation) espoused by Commissioner Maltbie.

The SEC then took a hand, following an appeal from Buffalo holders of the $1.60 second preferred stock of Buffalo, Niagara & Eastern ("Benny"), an important sub-holding company controlling about half the system. Recapitalization of the latter company gained a "priority" over that of the top company. Two plans were presented, one by BNE $1.60 preferred, the other by Niagara Hudson common (which, of course, has a large stake in the outcome). The main issue was over the allocation of the proposed new BNE common to the $1.60 preferred and to Niagara common. The BNE plan proposed that Niagara obtain only 9%, while Niagara's plan claimed 35%. It was generally assumed that a compromise would be worked out, perhaps giving Niagara 20%-25%. Instead, an entirely new proposal was made in a plan submitted to the SEC July 16 (two amended plans were filed by BNE and Niagara, but they were virtually identical).

The new program provided for retiring the BNE $1.60 preferred at the call price of $26.25 plus accrued dividends, making the total around $31 (compared with the current price of 28½). The company's first preferred stock would also have its arrears paid up and holders would receive 5% preferred in the new company (a merger of BNE and its operating subsidiaries).

Some $63,000,000 will be required to carry out this program, and this would be made available by Niagara Hudson Power using (1) present available cash, (2) a $40,000,000 bank loan, and (3) proceeds of sale of some miscellaneous holdings in Consolidated Edison, Central Hudson G. & E., and Central New York Power preferred. Subject to SEC approval, Niagara Hudson Power proposed to buy any stock tendered to it at prices between $26.25-$30. A bond refunding program would be carried out for the three operating subsidiaries. Niagara Hudson Power indicated that it would eventually liquidate the bank loan, selling part of the new BNE common to raise needed funds.

As an interim measure, Niagara Hudson plans to ask SEC permission for a reduction in the par value of Niagara Hudson Power common to $1 a share, to create sufficient capital surplus for any required adjustment of the company's investment in subsidiaries. This will permit clearing up arrears on Niagara Hudson Power's first preferred and eventually on the second preferred.

The latest statement by President Machold, at the SEC hearings on the plan, indicated that Niagara Hudson Power might eventually dissolve, if it was able to integrate Central New York Power and New York Power & Light into a single operating company (these companies are fully controlled by Niagara). Presumably this would involve distribution of the stocks of the two merged operating companies (one representing the BNE system and the other the two companies just named) to the holders of Niagara preferred, second preferred and common—but press reports have given no details regarding eventual dissolution of the top company.

Unlike many plans, substantial progress had already been made behind the scenes for carrying out the revised BNE program before it was submitted to the SEC. A group of 15 banks had been organized to handle the loan. Simultaneous hearings were to be held by the New York Commission and the SEC—which is rather unusual. Substantial stock interests are said to have backed the plan, the only objection being from an attorney in Niagara Falls, representing a group of Niagara common stockholders.

In the calendar year 1944 Buffalo Niagara & Eastern reported net income (before reservations for plant additions to be set aside by a subsidiary) of $7,304,000. This could be increased by about $1,100,000, it is estimated, through

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Russia Declares War on Japan

Announcement that Russia has declared war on Japan was made by President Truman yesterday (Aug. 8), it was made known in Associated Press advices from Washington, which, as given in the New York "Sun," said:

"Mr. Truman made the momentous announcement to a hurriedly summoned news conference. He said he had only a simple statement to make but it was so important he could not delay it. Then with a broad grin he declared:

"'Russia has just declared war on Japan. That is all.'

"The disclosure that the Soviet Union at last had pitted its enormous might alongside Great Britain and the United States against the Pacific enemy had not been unexpected. When it would come, however, had been a matter of conjecture for months.

"Official Washington at once took this development, along with the unleashing of atomic bombing against the Pacific enemy, as a sure sign that Japan cannot long continue to resist."

Tomorrow's Markets Walter Whyte Says—

Widespread belief of August dullness may boomerang. Broad top in making but plenty of room for sharp individual advances. Dullness is time to buy.

By WALTER WHYTE

Comments are currently appearing in various market letters that August is traditionally a dull month. I don't know what that is supposed to prove except that the past is a forecast for the future, so August will be dull, too. Even if it is so, I'll venture to say that a great many stocks will advance and probably an equal number will decline despite the dull month tradition. As a matter of fact if you don't have the right stocks, any period is dull, whether or not the averages go up thirty points or go down thirty points.

* * *

Actually there is no hard and fast rule indicating seasonal trends in the stock market. No more than there is a hard and fast rule applying to successful stock trading. There are a handful of axioms, which actually are nothing more than cyncisms which gain respectability through age rather than through practice.

* * *

Every market cycle is the same as all previous cycles, is an expression you must have heard time and again. Yet, no matter how close the resemblance different stocks crop up in each cycle and if you use old habits as a yardstick to new ones the result will seldom be profitable.

* * *

The only thing you can go by is that the market opens at 10 and closes at 3 and what goes on during those hours may be indicative of what to look for in the next session. Over a period of years various stocks acquire certain performance habits. In the old days the professional trader could gauge his

(Continued on page 647)

Clark, Dodge & Co. Celebrates Centenary

The New York Stock Exchange firm of Clark, Dodge & Co. will celebrate its 100th anniversary on Saturday, August 11.

Spanning a period marked by cycles of booms, panics, depressions and several wars, including two world conflicts, the firm's early history antedates the country's organized banking system and much of the structure by which the Wall Street of today carries on its business as the nation's financial capital.

At the formation of E. W. Clark, Dodge & Co., a century ago, New York was just emerging as the financial center of the Union on the strength of banking capital in excess of $20 million.

New York City had a population of 371,000. The eastern seaboard was eagerly looking westward to land believed to have unlimited resources, holding immense opportunities for those willing to give capital and energy to its development.

Organization of E. W. Clark, Dodge & Co. in New York, with capital of $50,000 was effected through a copartnership arrangement linking E. W. Clark & Co. of Philadelphia, and J. W. Clark & Co. of Boston. The business was started at 60 Wall Street, near the fabled buttonwood tree which had sheltered that band of outdoor brokers who in May, 1792, formed the New York Stock Exchange.

E. W. Clark, Dodge & Co. created an additional link in the Clark system of private banks, one of the earliest in America, which was established in 1837 in Philadelphia by Enoch W. Clark in partnership with his brother-in-law, Edward Dodge, with a capital of $15,000.

Joseph W. Clark, Enoch's brother, had established the Boston house which bore his name. In 1842 E. W. Clark & Brothers was organized in St. Louis and E. W. Clark, Brothers and Farnum set up a business in New Orleans in 1844.

The principal business of E. W. Clark, Dodge & Co. in its early years was domestic exchange. Its territory embraced New York State and parts of New England and Canada. The firm later expanded its activities in the investment field and in the Civil War period it participated with other prominent investment houses of that era in the flotation of bond issues for the Federal cause.

Partners of the present firm of Clark, Dodge & Co. are: George Crawford Clark, Benjamin D. Mosser, T. Jerrold Bryce, Eugene M. Geddes, Edward T. H. Talmage, Carl Egner, Arthur O. Choate, Jr., Joseph V. Allen, Perry R. Pease, Sydney P. Bradshaw, William M. Rex, Donald G. Geddes, Arthur O. Choate, David H. McAlpin and Godfrey S. Rockefeller.

The company's office is at 61 Wall Street, New York City. Branch offices are maintained in London, Boston, Mass. and Newark, N. J.

NATIONAL SECURITY TRADERS ASSOCIATION INC.

NSTA Notes

"40 OVER 8"

We still have three weeks for advertising contracts, and in view of the fact we are greatly past last year's mark, we hope those who have been holding up contracts will get them in. Al Tryder, your Vice-Chairman, is now at work and we are beginning to see some good results from our Philadelphia affiliate. You may recall that Philadelphia was third in the production list for our last year's campaign, and it is barely possible that Al may decide to run ahead of Chicago this year.

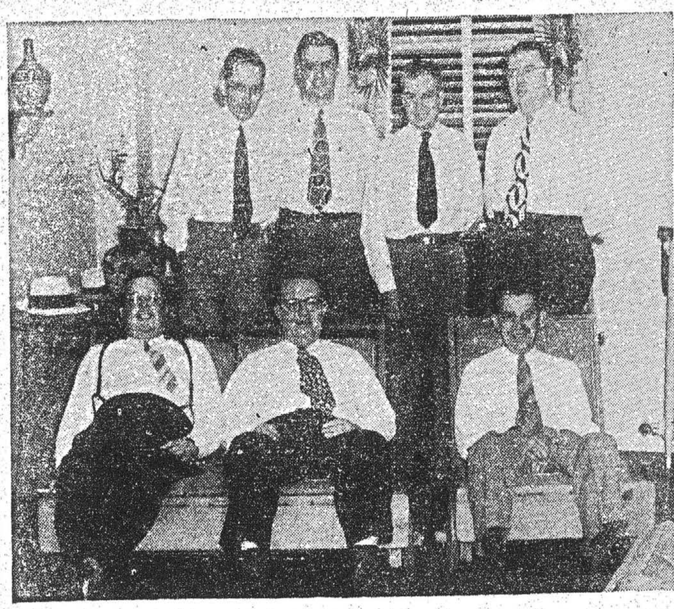
We can still mention that Joe Phillips and Ray Bernardi, of Seattle and Detroit, are sending in contracts, and perhaps before this present campaign is over they may be kind enough to tell you through these columns "how it is done."

Partial results to date: New York 74, up 12; Chicago 24, up 7; Tennessee 4, up 1; Detroit 16, up 3; Philadelphia 6; Los Angeles 3. The balance same as reported last week.

We feel certain the next few weeks will greatly increase our gross.

K.I.M. "40 Over 8"—Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., New York, N. Y.; A. W. Tryder, Vice-Chairman NSTA Advertising Committee, W. H. Newbold's Son & Co., Philadelphia.

TWIN CITY BOND TRADERS CLUB



Outing at Midland Hills Country Club, July 20

Seated—Charles Reiger, President, Twin City Bond Traders
Pat Cummings, Bear Stearns & Co., Chicago
Geo. J. Vojta, Northern Trust Co., Chicago

Standing—Robt. S. McNaghten, Williams-McNaghten Co. Minneapolis
Grover Coyne, Jamieson & Co., Minneapolis
Robert M. Rice, R. M. Rice & Co., Minneapolis
Edward H. Welch, Sincere and Co., Chicago

SECURITY TRADERS ASSOCIATION OF NEW YORK

STANY presents the current issue of its monthly magazine, containing news of its members in the armed forces and the "Street."

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.

House Post-War Committee to Visit Europe

WASHINGTON, Aug. 7—The House Special Committee on Post-War Economic Policy and Planning, headed by Representative William M. Colmer of Mississippi, is sendiig an eight-man sub committee to Europe some time this month. Included on the subcommittee, which will sail for the British Isles shortly, are three Democrats, Representatives Colmer, Francis E. Walter of Pennsylvania, Orville Zimmerman of Missouri, and five Republicans: Charles A. Wolverton of New Jersey, Clifford R. Hope of Kansas, Jesse P. Wolcott of Michigan, Jay LeFevre of New York, and Sid Simpson of Illinois.

Wm. M. Colmer

The Colmer Committee, it will be recalled, a few weeks ago issued a report advocating large-scale loans and investments by this country abroad. Mr. Wolcott, who was a delegate to the Bretton Woods Monetary and Financial Conference last year and who played an active role in the more recent legislation to expand the Export-Import Bank from its resources of $700,000,000 to $3,500,000,000, will be especially qualified to study British and European needs and to appraise the opportunities and pitfalls in the path of American investment in that area.

Mr. Wolverton is well known to many "Chronicle" readers for his interest in the Boren bill relating to municipal securities and the SEC's proposed disclosure rule. The New Jersey Representative was instrumental in bringing about the recent conference on that subject at the SEC in Philadelphia.

Since the subcommittee is going abroad at Government expense, and therefore does not come within the scope of the recent ban which President Truman imposed on congressional junkets via the Army Transportation Corps, its mission may be taken to have official approval.

Considering the enormous economic and financial stake which the country is acquiring abroad, largely through Acts of the Congress, the argument that members of Congress should be given the opportunity to see something of Europe while all the existing communications facilities are available seems to this writer persuasive. The Chinese have an old saying that a picture is worth 10,000 words. We might amend this to read: a visit is worth 10,000 pictures. Since these are the men and women who appropriate large slices of our economic strength for use abroad, it is certainly proper that we give them every opportunity to learn what it is all about.

John R. Kauffmann Co. Adds Three to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — John R. Kauffmann & Co., 506 Olive St., have added G. Elmo Holke, Walter H. H. Schaefer, and George K. Kappelman to their staff. Mr. Schaefer in the past was St. Louis manager for Winthrop, Mitchell & Co. and was with I. M. Simon & Co.

Real Estate Securities

Repercussion of the Atomic Bomb Blast in Hiroshima Will Be Felt in Real Estate Bonds.

The success of the Atomic Bombs must be an implication of the early end of the war with Japan.

With the coming of peace, the speculator in real estate bonds would be wise to reflect on the effect of peacetime on real estate securities.

Many properties presently successful with the lush of wartime earnings, will again fall back into their languid condition of several years ago.

This condition was caused by over-financing of the properties in the boom era of 1925 to 1929. Normal operation of these properties just could not earn enough to service the large loans placed upon them.

The result was a market value of an average of about 30% for real estate bonds in 1942 with a much lower price for some individual issues. Current average market value of real estate bonds we judge is almost 60%.

In the last three years some individual issues have had enormous increases in price, as an example, the Waldorf Astoria Hotel bonds, which in July 1942 were selling at 2½ and in July 1945 were selling at 68.

In checking over your real estate bond portfolio, it is our suggestion that a study of your bonds be made to ascertain whether or not a substantial reduction has been made in the funded debt of the property which secures your bonds.

We would also suggest the advisability of ascertaining the age and condition of the property securing your bonds.

The cost to rehabilitate obsolete buildings may seriously affect the earnings of such properties for many years.

We do not mean to imply that the end of the war will mean the end of the value for real estate bonds. There are a great many bonds of this nature that are still selling below their intrinsic values. What we are trying to suggest is that it would be prudent to divorce from your real estate portfolio those bonds which in these war time boom days did not have substantial sinking funds. It is a certainty that if such a procedure was not possible with this boom, that the likelihood of any degree of success in normal times will probably be nil.

Among outstanding issues where debt reduction has been effected by either sinking fund operation or reorganization, are the following:

Alden Hotel	3½s	1957
Broadmoor Hotel	4-6s	1956
Broadway & 41st St.	3-5s	1954
Dorset Hotel	2s	1957
Governor Clinton	2s	1957
Granada Hotel	2-3s	1954
Greeley Square Bldg.	5s	1961
Herald Square Bldg.	3½-6s	1948
Lefcourt Manhattan	5s	1948
Lefcourt State	4s	1948
Lewis Morris	4-5s	1951
Lexington Hotel	4s	1955
Lincoln Bldg.	5½s	1963
Lombardy Hotel	3s	1961
Midtown Enterprises	5s	1964
Motors Realty Corp.	4s	1948
Park Crescent Hotel	6s	1955
Pierrepont Hotel	4s	1951
Roxy Theatre	4s	1957
St. George Hotel	4s	1950
Sherneth Corp.	3s	1956
Textile Realty	4-6s	1959
Tyler Bldg.	6s	1953
2 Park Avenue	4s	1956
61 Broadway	6s	1974
61 West 39th St.	2s	1958
165 Broadway	4½s	1958
1400 Broadway	4½s	1948

Anglo-Belgian Monetary Agreement

Continuing its policy of publishing the bilateral monetary exchange and payments agreements between Great Britain and other countries, the "Chronicle" prints below the text of the Monetary Agreement between Great Britain and Belgium, dated Oct. 5, 1944. It will be noted that this agreement sets up an official par of exchange between the Pound Sterling and the Belgian Franc and imposes some restrictions on payments outside the "Sterling Area" and the so-called Belgian Monetary Area (which comprises besides Belgium proper, Luxembourg, Belgian Congo and the mandated Territory of Ruanda Urundi in Africa). Attention is called to Article 8 (i) of the agreement which provides that if contracting governments should adhere to a general international monetary agreement "they will review the terms of the present Agreement with a view to making any amendments that may be required."

Monetary Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Belgium.

London, 5th October, 1944.

The Government of the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Government of Belgium, of the other part, have agreed as follows:—

Article 1.

(i) The rate of exchange between the Belgian franc and the £ sterling shall be Bg. fcs. 176.625 = £1.

(ii) This rate (hereinafter referred to as "the official rate") shall not be varied by either of the Contracting Governments except after mutual consultation.

(iii) In all territories where they have jurisdiction the Contracting Parties shall enforce the

(Continued on page 641)

Dealer-Broker Investment Recommendations and Literature

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

Canada at War—Recapitulation issue of booklet published by Canadian Wartime Information Board—presents statistical and factual recapitulation of the Canadian war effort—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Canadian Funds in New York—Chart covering the period Jan. 1, 1919 to June 1945, recording monthly high and low averages of the Canadian dollar in terms of the United States dollar—copies on written request—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Oliphant's Earning Power of Railroads—40th Annual Edition—manual discussing fundamentals of railway finance and operations—cost of the volume, bound in fabrikoid, is five dollars—Jas. H. Oliphant & Co., 61 Broadway, New York 6, N. Y.

American Forging & Socket Company—Analysis of current position and outlook—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids, Mich.

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

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

Central Railroad of New Jersey Bonds—A study—Newburger & Hano, 39 Broadway, New York 6, N. Y.

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.**

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

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

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

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

Also available are analyses of **Liquidometer Corp., Delaware Rayon, New Bedford Rayon,** and **Great American Industries.**

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 **International Detrola.**

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

Also available are memoranda on **Standard Stoker** and **E. G. Brooke Iron.**

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

(Continued on page 642)

Give Views on "Full Employment Bill"

M. S. Rosenblatt Replies to Senator Wagner's Letter Requesting Comments on Measure Now Being Considered by Senate Banking and Currency Committee.

M. S. Rosenblatt of the Eimco Corporation, manufacturers of mining and industrial machinery, who received a letter dated May 25 from Senator Robert F. Wagner (D.-N. Y.), Chairman of the Senate Banking and Currency Committee and one of the sponsors of the Dingell-Wagner-Murray bill (S. 380), known as the "Full Employment Bill," has furnished the "Chronicle" with a copy of his reply to Senator Wagner.

We publish below both Senator Wagner's letter and Mr. Rosenblatt's reply:

Mr. Morris A. Rosenblatt,
General Manager,
The Eimco Corporation,
Salt Lake City, Utah.

Dear Mr. Rosenblatt: One of the most important measures before the 79th Congress is the Full Employment Bill of 1945, which (1) provides for continuous appraisal of the over-all economic picture, (2) sets forth the general responsibility of the Federal Government with respect to employment opportunities and the encouragement of private enterprise, and (3) defines the specific responsibilities of the President and the Congress.

This bill has been referred to the Senate Committee on Banking and Currency. Because it represents an attempt to grapple with a problem of fundamental significance to the entire country, the committee will hold public hearings at an early date to obtain the views of all groups on the proposed legislation.

In preparation for these public hearings, the committee is making a careful preliminary study of the bill and its objectives. To assist us in this study, the committee will appreciate your comments on the following questions:

(1) What should be the basic responsibilities of the Federal Government in the maintenance of continuing full employment after the war?

(2) What specific improvements in S. 380 might be considered by the Banking and Currency Committee?

(3) If you believe that S. 380 should not be enacted, what alternative can you suggest?

(4) If S. 380 were to be enacted, could the cooperation between industry, labor, agriculture, Government and other groups which would be essential to the bill's successful operation be obtained?

Your cooperation in helping the committee explore these and other relevant issues you consider important will be greatly appreciated. These comments will be of most use if received by June 15.

Attached is a copy of the bill, S. 380, and of Senator Murray's statement to the Senate upon its introduction.

Sincerely,
(Signed) ROBERT F. WAGNER,
Chairman, Banking and Currency Committee.

MR. ROSENBLATT'S REPLY

June 12, 1945.

Robert F. Wagner,
Chairman, Banking and Currency Committee,
United States Senate,
Washington, D. C.

Dear Senator Wagner: I have your letter of May 25.

The basic responsibility of Government for continuing full employment must of necessity confine itself to the preservation of those rights and freedoms which insure to each and every individual the broadest opportunities for personal attainment. Restrictive measures which, through war or dire emergency, prevent the full exercise of competitive enterprise by individuals or groups of individuals acting as corporations or partnerships should, in the absence of forced conditions, be repealed or condemned by Government. Full employment is but the indicator that our economy is functioning healthfully under a capitalistic or profit system which places the onus of success upon the individual. Labor, thrift, knowledge, ingenuity, singly or in combination, carry proportionate rewards under a Government which guarantees the free exercise of those virtues in an atmosphere of accepted regulations concerning honesty and equal opportunity.

Given this premise any declaration of policy which talks of fostering free competitive enterprise and the rights of employment must find itself admitting their non-existence or appologizing for their cumulative strangulation. To concern itself, however, with a speedy restoration of a normal economy must indeed be the serious responsibility of our Government. The assumption that unemployment can be reduced to a minimum by Government "investment and expenditure designed to contribute to the national wealth and well being" can only be warranted after Government has fully witnessed the free reign of individual enterprise under the most favorable opportunities. Recognition by Government of its duties to support the profit or reward motive as the essential cornerstone in our economic scheme must be evidenced in many ways: For example, our fiscal policy must be so regulated as to reduce taxes so that venture capital may be accrued; our hundreds of regulatory measures which found inception during an emergency must be repealed; purchasing power must be fed through broadening of the profit gap as well as the maintenance of high wages for no employer can retain or increase the number of his employees without a profit on their man-hours of labor; the law of supply and demand must be allowed to function freely with its controls imposed by the cumulative effect brought about by its participants; the process of encouraging the extension of credit must be of paramount importance to Government—regulatory measures in this field to reduce carrying charges, exorbitant rates of interest, etc., can and should be a function of Government. The extension of credit is simply the acceptance of a simple plan for fulfilling the wants of honest men — our last huge period of full employment followed an enormous surge in the extension of credit — every healthy individual may anticipate his needs by pledging a portion of his income. The result can be an endless growing demand for the millions of products an ingenious people can devise.

Beyond the need to restore and preserve the conditions which are most propitious to a successful national economy Government must concern itself with two social factors which insure or guarantee equal opportunity—these are public health and education. These two become the measure of individual enterprise and competitive accomplishment. Government cannot be indifferent to health and education and expect to assist in the maintenance of continuing full employment. In these two fields Government can afford to be extravagant—the returns on expenditures made for health and education give to an aggressive people a growing understanding and appreciation of our democratic system and the problems of "give and take" it involves.

The duties of our legislative and executive branches require no inductive laws as outlined by S. 380; on the contrary, their heaviest responsibility at the moment lies in repeal and legitimate regulation. Given an ideal soil in which individual enterprise may function and grow the volume of employment becomes a tide whose ebb and flow is controlled by the mass effect of millions of private citizens who have earned their right to choose freely the time for periodic idleness, full employment or retirement.

I regret that my thoughts in answering your letter must seem scattered; however, the progressive and liberal motives back of S. 380 have my sincere appreciation and I know that your own profound thinking and that of your associates will in the end bring forth that which is safe and beneficial.

I am, sincerely,
MORRIS S. ROSENBLATT.

Price Named Trustee of Central Hanover

Gwilym A. Price, Executive Vice-President and director of the Westinghouse Electric Corporation, has been elected a member of the board of trustees of Central Hanover Bank and Trust Company. Mr. Price is well known in banking and financial circles, having been President of the Peoples Pittsburgh Trust Company before joining the Westinghouse organization in 1943.

Gwilym A. Price

Mr. Price went with the Peoples Pittsburgh Trust Company, then the Peoples Saving and Trust Company, in 1923 after several years of law practice. He was made Vice-President in 1930, placed in charge of the trust department in 1937, and became President in 1940 at the age of 44. He was active in banking organizations and served as Chairman of the Public Relations Council of the American Bankers Association in 1943.

In addition to being a director in Westinghouse, Mr. Price holds directorships in the Peoples Pittsburgh Trust Company, Pittsburgh Steel Company, Blaw-Knox Company, South Penn Oil Company, and the National Union Fire Insurance Company.

William R. Ehni With Akin-Lambert Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—William R. Ehni has become associated with Akin-Lambert Co., 639 So. Spring Street. Mr. Ehni was formerly manager of the wholesale and trading departments of the Los Angeles Corporation. Prior thereto he was with Lester & Co., and in the past was head of Ehni & Wood.

Donnell With Hopkins Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Franklin H. Donnell has become associated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Donnell was previously with Dean Witter & Co. and Wm. Cavalier & Co.

Mellon Group Offers Eastern Assoc. Bonds

A group of 34 underwriters headed by the Mellon Securities Corp. on Aug. 8 offered to the public a new issue of $40,000,000 Eastern Gas and Fuel Associates first mortgage and collateral trust 3½% bonds, due in 1965. The bonds were priced at 102.17 and accrued interest, to yield 3.35% to maturity. The issue was awarded to the Mellon group at competitive sale Aug. 6 on a bid of 100.5599.

Proceeds of this financing will be used, together with treasury funds and the proceeds of a $15,000,000 10-year 2⅛% bank loan, to redeem all of the Association's outstanding first mortgage and collateral trust 4% bonds, Series A, due in 1956.

The bonds will have the benefit of a sinking fund which is calculated to retire 50% of the issue by maturity. They are also redeemable at any time at prices ranging from 105.17% through June 30, 1946, to par, if redeemed in the year ending June 30, 1965.

Giving effect to the present financing the Association will have outstanding the $40,000,000 first mortgage and collateral trust 3½s; the $15,000,000 10-year 2⅛% bank loan; 246,373 shares of 4¼% cumulative prior preference stock ($100 par); 374,138 shares of 6% cumulative preferred ($100 par) and 1,988,400 shares of common stock (no par).

Chicago Brevities

Marshall Field & Company is understood to have received approximately $17,000,000 for the Merchandise Mart, sold to Joseph P. Kennedy. Together with some company cash, it has been pointed out, proceeds from the sale could be used to retire the company's outstanding funded debt, leaving only the new 4 1/4% cumulative preferred $100 par stock ahead of the common. Field's management, however, has given no indication as to what use will be made of the funds received from the sale.

Close upon disclosure of the sale came the report of second quarter operating results which pointed to a new sales and profits record for the company this year. Net profit for the three months ended June 30 were $1,224,675, equal after preferred dividend requirements to 55 cents a common share, against $1,071,757, or 44 cents a share, in the corresponding period a year ago.

For the first half of 1945, net income was $2,560,950, or $1.11 a common share, compared with $2,095,091, or 85 cents a share, for the like 1944 period.

* * *

Butler Brothers also reported a substantial increase in net for the first six months of 1945, per share earnings of 58 cents for the first half of the year comparing with 31 cents a share in the corresponding 1944 period. At the same time, the company announced that it has begun an experiment in the ready-to-wear field under the store name "Ruth Barry." The stores will feature women's wear supplied direct from New York.

Butler will open its third Homecrest store soon, T. B. Freeman, President, disclosed. The stores in this group will feature housewares and household appliances in the post-war period.

* * *

General Mills, Inc., is among the latest companies to announce its intention of expanding into the home appliance field.

The disclosure was made in the company's annual report, which showed an increase in consolidated net income for the fiscal or $8.07 a share, from $5,556,912, or $6.69 a share, the year before.

New financing proposed by General Mills includes a three-for-one split of its common stock and the creation of $10,000,000 par value of a new series of convertible preferred.

* * *

The board of directors of Wilson & Co., Inc., has approved a plan of recapitalization of the company's 274,085 outstanding shares of $6 preferred. Stockholders will vote on the proposal at a meeting Sept. 17.

A new preferred will replace the present preferred. While the dividend rate the new issue will carry has not been determined, financial quarters estimate it will be $4.25 or $4.50 a share. On that basis, annual dividend requirements would be cut approximately $520,000 to $582,000. This reduction would make available an indicated 26 cents to 29 cents a share, when and if earned, for the common, of which 2,001,150 shares are now outstanding.

* * *

Cudahy Packing Co., last week, registered with the SEC 100,000 shares of a new $100 par cumulative preferred stock which will be exchanged for the 6 and 7% cumulative preferred stocks now outstanding. The exchange will be made on a share-for-share basis plus a cash adjustment. Shares not needed under the exchange will be sold to a group of underwriters headed by Goldman, Sachs & Co.

* * *

R. R. Donnelly & Sons Co. plans to expand its manufacturing facilities with the erection of a two-story building on a square block of vacant land recently purchased in the vicinity of its present plant.

National Tea has also acquired some 15 acres of land on the outskirts of Chicago for the construction of a multiple-unit warehouse, manufacturing and laboratory building.

Western Electric Co. and Aluminum Company of America have leased additional plant space.

In all, new plant construction and extension on manufacturing facilities, both government and privately financed and including post-war commitments in the Chicago area represented investments of $4,612,500 during July. This brought the total financing of plants for the first seven months of 1945 to $92,058,115 compared with $53,471,416 for the like 1944 period, according to figures released by the industrial department of the Chicago Association of Commerce.

* * *

As a first step in a far-flung post-war expansion program, Goldblatt Brothers, Inc., acquired the Logan Department Store on Chicago's northwest side. The store contains 90,000 square feet of sales space and serves a population of approximately 40,000. This brings the number of department stores in the Goldblatt chain to 15.

* * *

Subject to the approval of stockholders, Utah Radio Products Co. of Chicago, and Universal Cooler Corporation, Marion, Ohio, will be merged into International Detrola Corporation. Commenting on the proposed merger, Utah's President, Fred R. Tuerk, said:

"Detrola long has been a customer for Utah radio parts used in its radio receiver factory in Detroit and a merger could be expected to strengthen this relationship without prejudice to Utah's many thousands of customers in this country and abroad."

Caswell-Runyan, a Utah subsidiary, would provide an additional source for radio cabinets used by Detrola radio division, Mr. Tuerk suggested.

Grimm & Co. Formed In New York City

John Grimm, Irvin Hood and A. J. Morison announce the formation of Grimm & Co., to transact a general investment business with offices at 44 Wall Street, New York City. Messrs. Grimm, Hood and Morison, general partners of the new firm, all were associated with Cohu & Torrey, the former two as general partners, and the latter as head of the syndicate department.

Mr. Grimm has been a member of the financial community since 1909. Prior to his association with Cohu & Torrey he was Executive Vice-President of Leach Brothers, prior to which he was Vice-President in charge of the New York office of Hill, Joiner & Co. For a few years he was associated with the bond department of the Guaranty Trust Company and Guaranty Company of N. Y.

Mr. Morison was proprietor for 11 years of A. J. Morison & Company, and previously was associated with Halsey, Stuart & Company in New York.

Mr. Hood was a partner of Hood & Company and had previously been with Halsey, Stuart & Company and G. L. Ohrstrom & Company, Inc.

Gilbert J. Gordon, who has been acting as Assistant Sales Manager of Cohu & Torrey, and H. Jerome Lamude also will be associated with Grimm & Co.

Merritt to Serve Stock Exchange Ass'n In Voluntary Capacity

Henry C. Merritt has officially resigned as Vice-President of the Association of Stock Exchange Firms in order to devote his full time to the recently organized Stock Exchange firm of Merritt & LaMorte, in which he is a partner. He will continue, however, to serve the association in a voluntary capacity, particularly in those activities with which he has become most closely identified, such as the speakers' bureau, the group life insurance plan for the benefit of employees of members, and the committee which has for its object the relocation of returning veterans.

More Comments on Competitive Bidding

(Continued from page 620)

draw the line? The stigma of offering an issue without bids would not improve one's credit.

If you have a bid of some friendly banker in advance is it fair to trade on his bid? This requirement in government contracts makes necessary constant evasions.

* * *

LEON H. BLOCK
Simon J. Block & Son, Baltimore, Md.

As a small dealer, who owns and operates his own business, I am violently opposed to competitive bidding.

There are two main reasons for my objections to this type of financing. First, it practically eliminates the small dealer as a distributor of new securities and, second, it reduces the profit element to such a degree that even if a small dealer is able to procure a participation in a new issue the risk is not worth the gain.

All the inequities and all the malpractice of the new issue market have been magnified instead of eliminated by competitive bidding. It is almost impossible for a small dealer to do institutional business. Beating the gun is not the exception nowadays, but the rule, and the only issues that a small dealer can procure for sale are those which are so unattractive in either price or quality that he cannot accept them.

I am not speaking of the broad outlines of competitive bidding from either a political, social, or monetary viewpoint. I am only speaking of my own business which is my livelihood and which I have seen severely curtailed by the glossy theories emanating from Washington, many of which are extremely odoriferous when sliced open.

The logical answer that the proponents of competitive bidding would give to this would be—all right, eliminate the small dealer. This is not a very logical answer for me.

* * *

HARRY F. SMITH
Smith, Landeryou & Co., Omaha

I definitely am not in favor of enforced competitive bidding. Our experience shows that in many cases competitive bidding results in a better price for the securities, but also there are situations where a private deal can be arranged with better results.

There are cases where a company has had a bad record and no one will bid on the securities of such a company without a very complete check. In such situations many investment houses do not care to spend the time and money necessary to check such a company knowing that their chances of getting the bonds are perhaps one in five. However, if they are told that they can have the deal if their price is right, they feel they are warranted in spending the money necessary to make a complete study.

* * *

A SEATTLE DEALER

Our observation and experience of competitive bidding in the case of railroad and public utility securities does not lead us to believe it to be desirable as to industrial issues.

It has been our observation and experience that the development of industrial enterprises is best served by the continued interest and advice of houses which handle their financing. No sense of responsibility can exist toward an industrial institution which, from choice or by force of law, shops around the street. The same rule applies in such financing, as applies to the individual who finds himself best served by doing most of his business in one place where his needs are understood and a real interest in his welfare has been developed.

Change in Partners

Herbert D. Smith retired from partnership in Gamwell & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, as of July 31.

SEC Hearing Postponed

The hearing on broker-dealer revocation proceedings instituted against Ira Haupt & Co. of New York has been postponed by the Securities and Exchange Commission from Aug. 1 to Oct. 8.

Form Nehring & Ricketts

(Special to THE FINANCIAL CHRONICLE)

ELGIN, ILL.—Harley Albert Nehring and Lawrence E. Ricketts have formed Nehring & Ricketts with offices at 4 South Grove Avenue to conduct an investment business. Both were previously with Heath & Co., Inc.

Paul E. Conrads Opens Own Investment Firm

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL. — Paul E. Conrads has formed Conrads & Co. with offices at 321 West State Street, to engage in a securities business. Mr. Conrads was formerly a partner in King & Conrads. Associated with him in his new firm will be Robert Bargren, George F. Jilbert and Daniel I. Smith, all previously with King & Conrads.

King & Company to Act As Investment Dealers

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL. — Joseph D. King, member of the Chicago Board of Trade, and Mrs. Lelia King, have formed King & Co., with offices at 321 West State St. Both were previously partners in King & Conrads. Recently Mr. King has been Rockford manager for Faroll & Co.

Jay Stanley Forms Own Investment Co. in Gary

(Special to THE FINANCIAL CHRONICLE)

GARY, IND.—Jay Stanley has formed Jay Stanley & Co., with offices in the Gary National Bank Building, to conduct a general investment business. Mr. Stanley was formerly associated with Otis & Co. in Chicago. Prior thereto he was with the U. S. Treasury Department in Chicago.

C. W. Peters Dies

Claude W. Peters, partner in Hayden, Stone & Co., members of the New York Stock Exchange, died at his home at the age of 69. Mr. Peters began his career with the Bank of Montreal at St. Johns, N. F., later working in the institution's offices in Chicago and New York. He joined Hayden, Stone & Co. in 1910, becoming a partner in 1916.

Richard Montanye With Laurence M. Marks Co.

Richard B. Montanye has become associated with Laurence M. Marks & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, in their corporate trading department. Mr. Montanye recently was released from the Army Air Force, in which he served as a Lieutenant. He formerly was with Fitzgerald & Co., Inc., and prior thereto for a number of years was with Newman Bros. & Worms and Dominick & Dominick.

Wisconsin Brevities

As of June 30, 1945 the net asset value of the Wisconsin Investment Co. stock was $4.08 per share. The latter compares with a net asset value of $3.63 per share reported on December 31, 1944, and represents an increase of 12.40%. Giving effect to dividend of 8 cents per share paid on June 30, 1945, the appreciation realized in the net asset value of the stock is 53 cents per share of 14.60%.

Net profit on sale of securities of $94,696 was realized during the six months ended June 30, 1945. This sum, less a provision of $13,200 for estimated taxes, was transferred directly to earned surplus and does not appear in the income statement. For the same period the company reported a net earned income of $19,036 from dividends and interest. Total dividends paid during the half year amounted to $34,908 (8 cents per share).

* * *

The Kimberly Clark Corp. for the six months ended June 30 reported net sales of $28,765,417 as against $31,301,494 for the same period of 1944 and net profit of $1,168,039 or $1.95 per common share compared with $1,047,220 or $1.75 per share for the 1944 period based on 599,760 shares now outstanding.

For the twelve months ended June 30, 1945 the net profit was $2,474,710 or $3.29 a common share against $2,700,452 or $3.51 per share in 1944.

* * *

Froedert Grain & Malting Co., Inc. for the fiscal year ended July 31, 1945, earned approximately $2.10 per share compared with $1.76 in the 1944 fiscal year.

The average earnings per share for the years 1942 to 1945 inclusive was $1.86 per share.

For the six months ended June 30, 1945, the Harnischfeger Corp. and its subsidiary reported a gross profit of $5,062,131 and a net income after taxes of $247,298 before adding a transfer of $81,000 from contingent reserve which brings the total to $328,298.

Current assets as of June 30, 1945 were $10,987,136 and current liabilities $6,200,260.

* * *

Hamilton Manufacturing Co. of Two Rivers, Wis., reports for the six months ended June 16, 1945, earnings before dividends amounting to $156,891. This is after providing for all expenses, depreciation, interest on indebtedness, taxes and contingencies, including possible renegotiation of profits. This compares with $153,180 for the first six months of 1944 and $230,407 earned during the year 1944. Sales amounted to $4,103,436 for the first half of 1945 compared with $3,336,846 for the first half of 1944.

State of the Market

Anyone who has ever looked at a chart of the stock market knows that fluctuations are its essential characteristic. So we find nothing particularly surprising or shocking in the fact that it has receded 5% from its recent highs. Indeed, should it still be holding around the 160 Dow-Jones level by the time this letter is reaching readers, a remarkable exhibition of underlying strength will have been given. For the decline commenced at a time when much of Wall Street was "technically bearish," and was accelerated by the shift in sentiment regarding the duration of the war and by the British elections. Discounting of the last-named factor may well have been the prime-mover, for I. T. & T. was one of the first of the leading speculative stocks to evidence unexplained heaviness.

Dow theorists are talking a "full correction" to the 150 level. Judging from the action of the market itself and because of what we think are fundamental bullish factors, we think this is improbable. And the persistent buying of such peace issues as the motors and building shares gives a clue to the probability that V-J Day will find the market acting as contrary to expectations as it did on D-Day.

Least of all do we think that the bull market has reached its peak and that a long recession has commenced. One safety factor in the market has been that investors and speculators alike, although both cursed with notably short memories, recall all too vividly the sudden collapses of 1929 and 1937 and have treated the market with a good deal of healthy caution. An example of the fear psychosis may be seen in the July "Reader's Digest" wherein Miss Sylvia Porter, much publicized financial columnist of the New York "Post," writes: "Are We Going to Be Stock Market Suckers Again?"

Eventually a good many people owning stocks are going to be burned again. But we certainly cannot agree with Miss Porter that "The public is back in Wall Street on a scale not seen for 16 years. . . . The situation is at the danger point." The Porter portents do not seem to us particularly significant. "Prices of New York Stock Exchange seats have quadrupled from the war's low mark," she cries. She neglects to state that they are still over $100,000 lower than the 1936 high. She sees cause for alarm in the fact that "Every month, brokers are opening new branch offices through the country." The facts reveal that on June 1, 1945, there were 815 branch offices, against 891 on June 1, 1941, when there was hardly any reason to think the public was rushing to buy stocks, and against 1,222 June 1, 1937. There is ample evidence that the public is again becoming interested in stocks, but we find little evidence of the irrational attitude that spells "boom and bust." — From Washington Dodge's Letter issued by Roberts & Co.

The Future of Municipal Bonds

(Continued from page 619)

141.4, with an average yield to maturity of 1.58%; the average price of the high-grade corporates on July 25, 1945, was 120.9, and the Dow-Jones Industrial Stock Table 1 shows the municipal Average on that date was 163.44. bond prices weekly from January to August, 1945.

Court Decision Important

A powerful factor in the advance this spring in municipal bond prices was the refusal of the U. S. Supreme Court to intervene in the Port of New York Authority and Triborough Bridge Authority cases. Translated into layman language, this decision, in effect, affirmed the decision of the lower courts that interest on such bonds is exempt from Federal taxation. While the decision directly involved the two issues cited, it applied indirectly to all municipal and State bonds, and it brought to a conclusion—temporarily at least—the attempt of the Treasury to subject such interest, as well as that of direct obligation bonds, to Federal taxation.

We use the adverb "temporarily" advisedly, for it is possible that Congress may determine that, in view of the Federal Government's revenue needs, there is less validity in continuing in the future the tax-exempt feature of new issues of such bonds. Legislation (the Carlson bill) is pending in Congress, in fact, which if enacted would eliminate tax exemption from utility revenue bonds after Jan. 1, 1945, but this is merely a slight narrowing of the field; and a recent Ohio Supreme Court decision significantly held that Cleveland's municipally-owned street railway's property is taxable.

Table 1
MUNICIPAL BONDS
(Dollars per $100 bond)

1945—	1st Week	2nd Week	3rd Week	4th Week	5th Week	Average
January	135.8	136.2	136.6	137.0	137.4	136.6
February	137.6	137.8	139.5	139.9		138.7
March	140.1	140.7	141.2	140.9		140.7
April	141.4	141.4	141.4	142.2		141.6
May	142.2	142.2	141.2	140.3	140.7	141.3
June	141.2	141.4	141.6	141.6		141.5
July	141.6	141.6	141.6	141.4	140.9	141.4

Recent Reaction

After reaching the new high of 142.2 early in May, 1945, municipal bonds reacted somewhat, apparently on account of fears that Federal income taxes might be reduced following V-E Day. As time went on it was discerned that such apprehension was virtually groundless, and on passage (July 20) of the Doughton bill, which was chiefly concerned with raising the excess profits tax exemption from $10,000 to $25,000 and otherwise assisting reconversion without tackling the main problem of tax reduction at all, prices of municipals, which had begun to improve, recovered further. We believe this upward trend has almost reached the top for years to come.

Interest Rates

With money rates having steadily declined for a long time, Government and municipal bonds are now at all-time high levels. It appears that the Government's requirement for new capital and for refunding will continue after V-J Day. Until we reach a point where we have a declining trend in new government capital requirements plus an increasing demand for capital by industry to finance post-war prosperity, we are unlikely to see a reversal of existing low rates—but it seems inevitable that this condition will eventually prevail. Any material increase in interest rates would of course mean a decline in municipal bond prices.

Ownership

Table 2 shows a break-down of ownership of municipal and State bonds over the eight years, 1937 to 1944, inclusive. It is noteworthy that the total of such bonds outstanding declined from a high in 1940 and 1941 of $20 billions to $17.3 billions at the end of 1944. By June 30, 1945, the figure had declined to $16.5 billions.

It is interesting to observe, as shown in Table 2, the decline in ownership of municipals on the part of insurance companies, corporations, savings banks and Federal, State and local governments, and the increase among commercial banks and individual holders. Even with some eventual reduction in Federal taxes, the new alignment in ownership which is thus indicated is likely to continue. Individuals, including estates and trusts, now hold about 45% of all outstanding municipal bonds.

Taxes

Municipal bond prices are, of course, bound almost inseparably to taxes. Primary security is based on tax receipts, and price trend is frequently dependent upon the feature of exemption from Federal taxes. While municipals from the nature of things cannot be safer than Government bonds, and nevertheless give a smaller yield, the tax-exempt feature appeals to investors in the tax bracket of about $25,000 upwards.

While much is said and written regarding hopes for tax relief, as a practical matter the realistic viewpoint is that taxes in the post-war period will remain well above pre-war levels, although well below wartime peaks. If this belief is well-founded, municipals despite their extremely low yields should continue to have a strong appeal for investors in the higher income brackets even though such bonds may be vulnerable pricewise. Assuming that there will be some tax reduction after the war, probably the change in the middle and even the high brackets will not be very great.

Table No. 3 compares rates (regular and surtax combined) on the $25,000 and $50,000 brackets and peak rates now with those of 1939 and 1942. Even if the 1942 rates were restored, a 1.50% tax-exempt return would continue to be the equivalent of 3.57% on a taxable security for those with annual incomes of $25,000, and for those individuals receiving $50,000 an equivalent return would be 5.36%.

Table 2
OWNERSHIP OF STATE AND MUNICIPAL BONDS
(United States Treasury Department estimates in billions of dollars rounded to nearest tenth of a billion)

	1937	1938	1939	1940	1941	1942	1943	1944
Commercial banks	$2.8	$2.8	$3.2	$3.6	$3.7	$3.6	$3.5	$3.5
Insurance companies	1.8	1.9	2.0	2.1	2.1	2.0	1.7	1.4
Corporations and miscellaneous tax-exempt institutions	1.1	1.1	1.3	1.2	1.1	1.1	.9	.8
Mutual savings banks	.8	.7	.6	.6	.5	.4	.2	.2
Federal, State and local government funds	4.3	4.5	4.5	4.5	4.8	4.9	4.5	3.9
Individuals (including private estates and trusts)	8.5	8.3	8.2	7.9	7.8	7.5	7.7	7.5
Total	$19.3	$19.3	$19.8	$20.0	$20.0	$19.5	$18.5	$17.3

Table 3
FEDERAL RATES ON INDIVIDUAL INCOME TAXES

Tax Bracket	1939 Rate	1942 Rate	1945 Rate
$25,000	21%	58%	62%
50,000	35%	72%	78%
*Highest	79%	88%	94%

*$200,000 up, except 1939, which was $5,000,000 up.

Volume of Financing

A reasonable estimate of the probable annual increase in the supply of tax-exempt bonds would be about $900 million on which basis four years would be required to restore the total municipal and State outstanding debt to the $20 billion level prevailing in 1940 and 1941.

Undoubtedly many municipalities, with the advent of peace, will be obliged to make extensive capital expenditures over a period of years for the construction of roads, schools, and other public buildings, together with many other items including buses, fire engines, pumps, etc., which now show signs of wear and obsolescence due to wartime conditions that have limited expenditures to indispensable replacements, or are needed additionally. With a post-war increase in the supply of municipal bonds, prices are more likely to decline than to advance, with consequent improvement in yields. A post-war glut of municipals, in fact, is a distinct possibility. Such a condition would once more emphasize the paramount necessity for selectivity in making commitments.

General

The history of modern municipal finance, so far as it involves the creation and repayment of public indebtedness, begins with the assumption in 1790 by the Federal Government of the State debts incurred in carrying on the War for Independence. Municipal bonds outstanding have shown phenomenal growth in recent years—from $4.3 billions in 1915 to $20 billions in 1940-41. There are upwards of 275,000 States, municipalities and other political subdivisions of the United States possessing the power to pledge their credit in the issuance of bonds, and 180,000 governmental units with authority to levy taxes, according to the Department of Commerce.

Conclusion

A consideration of all factors involved leads us to the conclusion that municipal bond prices are close to their highs for years to come and that the longer term trend to follow will be gradually downward.—(Reprinted from the Aug. 2, 1945, issue of "Investment Timing," published by the Economics & Investment Department of the National Securities & Research Corporation, New York, N. Y.)

Morgan Stanley Offers Manville Unsold Shares

Morgan Stanley & Co. and Associates are offering the unsold portion of the 170,000 shares of 3½% cumulative preferred stock (par $100) of Johns-Manville Corp. at $100 per share. Stockholders of record of July 21 of the Johns-Manville Corp. were given the right to subscribe to the stock in the ratio of 1/5th of a share of 3½% preferred stock for each common share held. Rights expired Aug. 4. A total of 163,162 shares was subscribed for, leaving only 6,838 shares to be taken up by the underwriters.

The new preferred stock is convertible prior to Aug. 1, 1955 in common shares initially at the rate of one share of common for each share of preferred stock so converted and payment by the holders of $15 with respect to each share of preferred stock surrendered. The proceeds of the issue are to be added to the resources of the company.

Asks End of Sterling Bloc for India

A. D. Shroff, Member of India Trade Commission and Bretton Woods Delegate, Tells N. Y. Board of Trade India's £1 Billion Balance in London Cannot Be Used for Purchases Here. Resolution Approved to Demand British Permit Free Trade With "Sterling Bloc" Countries.

At a meeting of the International section of the New York Board of Trade at its offices in New York City, on Aug. 3, A. D. Shroff, director of Tata Sons, Ltd., of Bombay and a Bretton Woods delegate who is heading an Indian trade delegation visiting this country, told the foreign trade representatives present that his country was prevented from purchasing American goods because of the blocked balance of £1,000,000,000 of India's funds held in London. India, said Mr. Shroff, is greatly in need of American machinery and equipment for its program of industrial expansion. It is planned to increase textiles output alone by 50% and in addition there are projects for a number of hydro-electric developments.

"This," Mr. Shroff pointed out, "means the need for large amounts of textile machinery, power equipment and manufacturing appliances." "There is," he added, "accordingly a great opportunity for United States manufacturers." He warned, however, that "although we are impressed with your products we are baffled by your prices, which are too high." He urged producers of textile machinery to adapt their equipment more to the types suitable to India.

"Some machinery," he stated, "should be made which would require a man for eight or ten machines rather than for the large numbers the producer has for American mills. We don't need the expensive and finely-cut steel tools which your plants turn out. If you sell us tools made from lower-quality steels they might appeal to India purchasers. Unless prices are reduced we will be unable to do business with the United States in certain lines."

Mr. Shroff mentioned three factors that stand in the way of larger American exports to India. These are (1) the operations of the British dollar pool which at present limits Indian payments to the United States to $20,000,000 annually; (2) the high-price level of American products such as machine tools, and (3) producers of textile machinery in this country are unwilling to adapt their products to India's special requirements.

Following Mr. Shroff's talk, a resolution was passed by the members of the Board of Trade present, that a committee be appointed to request the State Department to request Great Britain to relax its sterling bloc restrictions and to allow sterling bloc countries to have "free dollars" for trade with the United States. One member even suggested that as a retaliatory measure the United States set up a "Dollar Area" similar to the "Sterling Area."

Truman Signs Charter Approval Act

President Truman, on Aug. 8, less than 24 hours after his arrival in Washington, affixed his signature to the Senate's act of approval of the United Nations Charter, thus formally ratifying the document as a treaty of the United States. This country is therefore the first of the major powers to formally ratify the document, which provides a constitution for a United Nations organization.

The ratification took place in the executive offices of the White House in the presence of Secretary of State James F. Byrnes, when each, in addition to signing their names to the one-page Senate act of approval, also affixed their names to the full text of the Charter. The documents were then placed in the archives of the State Department, to await further formal action, when, after the requisite number of the powers assent thereto, the powers can implement the United Nations organizatiton.

Business Man's Bookshelf

Oliphant's Earning Power of Railroads—40th Annual Edition—Fundamentals of railway finance and operations—Jas. H. Oliphant & Co., 61 Broadway, New York 6, N. Y.—Fabrickoid—$5.00

Railroad Securities

Texas & Pacific Common Stock

Ability of Texas & Pacific to refund its junior 5s with a 3⅞% series "E" issue, sold at 100½, centers interest in the equity, controlled by MOP. Investors who can afford the ownrship risk inherent in a minority stock—MOP owns 100% of the 237,030 shares of 5% non-cumulative preferred (voting) and 59.2% of the 229,500 shares of common (74.7% voting control on combined stocks)—may find this an interesting situation.

Texas & Pacific is the only major subsidiary in the MOP system which avoided a Section 77 reorganization. It is an integral portion of the System, extending westward and eastward from the Texarkana and Longview gateways (points where interchange with MOP and IGN is effected) to El Paso and New Orleans. Since, following the MOP reorganization, tax advantages would doubtless accrue were 100% ownership of Texas & Pacific acquired, thereby permitting consolidation of accounts, ultimate acquisition of the remaining 40.8% is a reasonable expectation.

Texas & Pacific is a very efficient property. As pointed out in its recent bond prospectus, gross ton miles per freight train hour increased from 16,183 in 1924 to 25,576 in 1934; 39,149 in 1940; and 40,793 in 1944. This road has consistently ranked high among Class I railways, showing the lowest ratios of transportation expenses to operating revenues. In 1940 its rank among the 44 largest Class I railways (based on ICC reports) was number 8; in 1941, 8; in 1942, 10; in 1943, 6, and in 1944, continuing the improvement of recent years, number 5. Index of gross revenues and of transportation expenses also confirm the above findings, both indices far exceeding those of Class I carriers.

These statistics reflect maintenance expenditures of some $97.6 million in the period 1937-44, equivalent to $60,300 per equated track mile, and gross capital expenditures of $19.4 million, equivalent to $11,990 per equated track mile.

Debt reduction of this carrier has virtually kept pace with its improvement in operating efficiency. From 1937 to 1944 $11.7 million of debt was retired, which when added to improvement of working capital in this period of $18.5 million, amounted to 37.7% of its funded debt as of Dec. 31, 1936. This was a higher ratio than for other large solvent systems, Norfolk & Western excepted.

Total debt outstanding as of Aug. 1, 1945, giving effect to use of Treasury funds in connection with recent refunding will total $65,383,000 as follows:

Equipment trust certificates	$1,570,000
1st 5s, 2000	24,363,000
Gen. & ref. 3⅞s, 1985	39,000,000
Texarkana Un. Sta. ctfs., 1957	450,000
	$65,383,000
5% non-cum. pfd.—237,030 sh.	23,703,000
$100 par common—387,550 sh.	38,755,000
Total capitalization	$127,841,000

Interest charges on the $65.3 million debt will average $2,794,101 on an annual basis and estimated fixed charges will be approximately $2,804,000. Such charges would compare with $4,274,360 paid out as recently as in 1931, a reduction of $1.47 million, or of almost 35%, sufficient to cover annual preferred dividend requirements of $1,185,150.

Gross revenues have risen sharply, reflecting the war, from an average of $26 million in the late 30s to a peak of $80 million in 1944. Net available for charges rose from some $5.5 million to $7.4 million in 1941, $12.8 million in 1942 (peak), $9.8 million in 1943 and $7.3 million in 1944. Because of tax credits arising from new financing, full year's results in 1945 should equal those of 1944, despite a decline from $2.90 to $2.44 million in the first four months of this year as compared with the corresponding period a year ago. Applying the new estimated fixed charges against earnings as reported since 1935, making no adjustments for increased taxes and after deduction of dividend requirements on the preferred, despite its non-cumulative provision, per share earnings on the common ranged from $2.25 to $6.10 (period 1935-40) and from $8.42 to $22.58 (1941-44).

Working capital is strong, standing at $17,907,000 as of April 30, 1945. Not included in working capital figures is an item, maintenance fund, of $6,303,000 all invested in short-term Governments, as well as a post-war excess profits tax refund of $735,000. Management has set up a maintenance fund of this size, believing it can be accomplished not only more effectively, but also more economically, at a later date, when labor and materials are more plentiful.

Taxes of Texas & Pacific have risen sharply, from less than a $2 million average in the late 30s to

(Continued on page 630)

Downey to Manage Union Securities Dept.

Union Securities Corporation, 65 Broadway, New York City, announces that Norman S. Downey has become associated with them as Manager of their Municipal Bond Department.

Finances in Wonderland

(Continued from first page)

behind, but they limp well: factory payrolls went up three-and-a-half fold, thanks to the doubling of the workers' income and to a vast increase in their numbers. Cash farm income has nearly trebled. For the country as a whole, the dream of full employment has been accomplished; real estate and equity values, corporate working capital, and per capita national income have doubled. They all continue to rise. In view of all of this, it is remarkable that retail prices have been kept officially at about 30% (actually probably 50%) above the 1939 level. Taking the rise in living costs and taxes into consideration, the real income of American employees and farmers—roughly 85% of the population—is probably about 50% higher than before the war. Accordingly, their equipment with semi-durable goods and especially their "liquidity"—their cash savings minus their own debts—have been tremendously improved.

In other words, we are spending some $300-odd billions on an economically unproductive purpose, almost half of it taken out of the taxpayer's hide, but by and large—over the war period as a whole—the nation is better supplied with food, clothing, entertainment, social security, and especially with money, than ever before. The only major suffering (other than hardships arising from military service) consists in some restriction of dietary choices and in the limited possibility to drive around. We expect soon to make up with compound interest for what we miss now, such as new durable goods. We also expect to be guaranteed against a prolonged mass-unemployment after the war. In short, the more we "waste", the richer we become and the rosier our future looks, contrary to all experience of the past and to all tenets of sound economics. This is, undoubtedly, the greatest miracle of economic history.

Will It Last?

How long will the miracle last? There is a good chance that the bubble will not burst before the war with Japan ends. That in turn may take some time. Bombing of cities alone without physical invasion does not end the war, as shown in Germany. The invasion of a country like Japan, bristling with arms, stocked up with raw materials, and the factories dispersed over remote areas, should be far more difficult than was that of the Continent. Fantastic volumes of manpower, tonnage, and supplies will have to be thrown in from a distance of thousands of miles. Military authorities estimate that it will take a year before the full-fledged Anglo-American power is assembled in the Pacific. The same holds for assembling the Russian power against Manchuria, provided the Soviets enter the war at all. There remain two possibilities: Japanese surrender, or a mediated peace. But apparettly we prefer so far to suffer additional casualties by the hundreds of thousands rather than to accept mediation, and the Japs seem to prefer to fight on rather than to accept the blotting out of their national existence — the meaning of unconditional surrender as in the case of Germany.

Of course, surprising changes may occur on the one side or the other, but there is little in the cards that would indicate at present a sudden ending of the war. If that is correct, monthly expenditures of the Federal government will not fall in the coming fiscal year much more than from $7 to $6 billions or so. That decline could not materially affect the process of monetary inflation. For one thing, only about 1½ million men are supposed to be demobilized. True, the shift to peace-time production is bound to be somewhat slow because of lack of balance between permissible production quotas on the one hand and materials with which to produce on the other. Varied factors easily may compensate for whatever decline in employment will occur, by opening up new channels of public and private spending. Exports to liberated and neutral countries in growing volumes are one item of this offsetting kind. Bonuses to returning soldiers and generous doles to idle workers are another. Artificial shortages created by labor unrest might well offset surpluses due to the 35% decline of war orders as planned for the next 10 months. Where consumers' income should ebb, the spending of cash savings might make up for it. The liquidation of war-time commercial loans might be over-compensated by the spreading of RFC and DRCC guaranteed "small business" loans, the piecemeal rise of new mortgage credits, by bigger and better farm and other subsidies, new wage concessions to powerful unions, and so forth.

V-J Day, if it does not arrive before 1946, will find reconversion well under way. Transition to peace-time production then will be a fairly smooth process, with its pains rapidly disappearing as the entrepreneurs will know where to find materials and labor. Even if consumer-spending should not inundate the markets at once, reconversion itself will provide a great deal of employment, financed by the cash funds of the corporations, by the RFC guaranteed credits mentioned above, by tax refunds and carry-backs, by the sale of new corporate securities to the public—through all the channels made available by the war-time flood of money and its continuation. And some amount of explosive consumer spending is the more imminent since in the meantime cash savings will have increased and inventories decreased further. The pressure for disbursing savings will grow in accordance with the combination of swelling pocketbooks and emptying shelves.

Even so, some amount of "recession" at or shortly after the war terminatiton would be unavoidable—in an unfettered competitive economy. The change from a military to a normal economy, from orders flowing in a quasi-automatic fashion, nothing to worry about, to orders available only by readjustment and strenuous competition, cannot take place without jolts and shocks. Price reactions due to overstocked raw materials, sale of surplus goods and other disappointments, might aggravate the situation.

Such a short depression would be a godsend to clean up the budgetary mess, to bring the price and cost levels back to a sound basis, to make the public refrain from wild spending, and in general to stop the threatening inflationary spiral. It would be short and comparatively mild, because the vast volume of accumulated purchasing power, together with the equally vast accumulation of pent-up demands at home, plus the almost insatiable foreign demand, could not help but start soon a new upturn. But obviously, there is no political intention in this country to permit even a modest recession to occur. Instead of waiting for a balanced growth—the balance of which is doubtful anyway in view of the inflated monetary structure—we are fully prepared to eliminate even a temporary jolt by a program of reducing taxes (back to the pre-war level), by the maintenance of large military expenditures, by public works and other disbursements of fresh money on a scale to stifle every decline at the inception. The combined effect of stimulating consumers' expenditures and entrepreneurial activity cannot fail to carry the country quickly from the wartime inflation of employment into its peace-time equivalent.

The High Plateau

This is the theory of the High Plateau in permanance: that prices, national income, and employment should be maintained approximately at or near the war-time level. It is the idea of Eternal Prosperity that swept the country in the late '20s, based in those days on an allegedly inexhaustible credit supply, and based at present on the inexhaustible money-creating powers of the government. That's all there is to such rationalizations as "fiscal policy to maintain full employmen," "balancing the budget over the cycle," to "compensatory spending," "planned free economy," "controlled inflation," to all current monetary theoretizing **a la** Keynes: that by printing ever new purchasing power one can keep the boom going—forever.

But can money creation proceed incessantly without causing a serious price inflation? To overcome depression is one thing; to avoid inflation, quite another.

The trouble with the "evened out" High Plateau is that it cannot stay "even." It has to go up or down; ultimately, it goes down. It feeds on monetary inflation and rising prices, both of which must be stopped at some point. When they stop, a deep reaction **must** set in.

Basic Disequilibrium

What the High Plateau theory overlooks is, in the first place, that money once issued stays with us for good. Commodities are used up; their values, at any rate, tend to decline as soon as they change hands. Money is neither used up, nor is its value affected by circulation. Each year's "crop" of dollars adds that much to the total amount of potential purchasing power carried over into the following years. There are only two ways to escape this inexorable fact: if the dollars are taxed away; or if they are created as loans of a short-term, self-liquidating type. The one way would mean deflation and depression; the other would limit the extension of new credits to almost zero, drying up the supply of fresh money. Fresh money, in quantities, can come only through channels which do not imply quick liquidation—which permit purchasing power to pile up **ad libitum.**

That's why the idea that one can "out-produce" inflation is preposterous. The output of goods in any single period can never exceed what the country is able to produce at full capacity operation during the same period (except by the volume of imports, in turn exceeded, however, by the volume of exports). The inflated purchasing power can be "out-produced" only if it is either not used—if it stays dormant—or if it is merely used as a substitute for current income. But the latter case presupposes a deflation of incomes which is exactly what we are avoiding by their continued inflation; and the former presupposes that normal people who are in possession of excessive cash reserves and of regular incomes should refrain from acting normally, that is, from dishoarding part of their reserves to buy capital goods or other enjoyments. If they do act as usual, then the war-time accumulation of savings will be followed by their reduction, and dollars will appear on the markets which have no counterpart in products. They will affect prices just as dollar notes falling from the moon and spent on the spot would affect them.

The Limits of Control

In short, a fundamental disequilibrium between the effective demand for goods and their supply is in store—unless radical measures are taken to control the demand. Police measures, i.e., price-fixing and rationing, will not do, except in special fields in which evasion is difficult, such as rent control, and even there only in a temporary fashion. Nor will a "qualitative" or selective credit control do: freezing of the real estate and stock markets by sharply increased capital gains taxes, raising of margin requirements on mortgages and brokers' loans, restriction or prohibition of instalment credits (which would drive the needy consumer into the arms of uncontrolled usurers), etc., solve the problem only if they are applied in strong doses and in every field, including the borrowing by the government itself—if they cure inflation by causing a deflation.

Price control and rationing work only so long as the public refrains from competing for goods by offering higher prices. As to selective credit controls, they are ineffective when a vast accumulation of money exists, and when in addition new money is being pumped into the circulation. If they work at all, they merely drive the excess purchasing power from one channel of spending into another. There is no way to restore the market equilibrium unless either by radically cutting down the monetary volume, which would mean depression, or else by letting prices rise. Indeed, it is generally assumed that prices after the war, disregarding a short interruption, will stay high and may rise somewhat further. But they are then supposed to stay put.

The High Plateau is understood presently as one of fairly high prices, at any rate substantially above the pre-war level. That much is conceded even by the economists of New Deal leanings, disregarding the pure charlatans. But the problem is, or will be, to "hold the line" of prices that is supposed to establish itself after the war, and not to let it get out of hand.

Automatic Stabilization?

Couldn't that be accomplished in a quasi-automatic fashion—relying on the inflated money itself to protect us against major price-inflation? Here is how such a piece of magic is supposed to work:

Once post-war conditions are stabilized to the extent that reconversion and depression fears are overcome, and production to meet the consumers' wishes is well under way, the disbursement of accumulated cash savings will be in full swing. That means that the dormant money will become active—its velocity of circulation will rise. One dollar will do the work of two or three or four, and consequently there will be less need for dollars. Public spending can then be restrained, and there will be no more necessity for governmental fostering of private credits either. If so, the quantity of money can be kept stable; the job of maintaining and raising prosperity can be left to a more or less self-adjusting process of rising monetary velocity. As a matter of fact (as this rationalization proceeds) continued prosperity should even permit the monetary volume to be reduced gradually by repurchasing some of the outstanding short-term debt. At any rate, a reasonably perfect and permanent stabilization of the monetary volume, of prices, and of full employment should be the outcome.

This implies several fallacies. In the first place, a higher (rising) rate of turnover of the average dollar embodied in notes and bank deposits is no protection against an increase in the number of dollars. On the contrary! The magical process actually presupposes that war bonds are cashed in, thus greatly increasing the volume of circulating media. Moreover, a rising monetary velocity is accompanied naturally by a rising monetary volume: as more purchases are made and trade is stimulated, credit facilities tend to open up (at rising interest rates). As it is, the banks expand their commercial loans already. But the worst of it all is that the increasing monetary velocity itself invariably creates the same effects as an increasing monetary volume. It means simply that accumulated savings are disbursed on the markets and add accordingly to the amount of effective demand, thereby raising prices. Rising prices in turn are bound to stimulate more disbursement—further increase in the velocity of circulation—and still higher prices. The vicious mechanism of a run-away inflation is set in motion.

Totalitarian Liberals in Finance

Small wonder that the worry about a serious post-war inflation is making progress even among the financial "liberals." Their ultimate refuge is, however, in their belief in management.

By proper management, by inflating one week and deflating the next, as the case may be, the price structure could be kept supposedly at an even keel, as the speed of a car is controlled by the amount of gas fed to the motor. That, of course, brings us back to the basic error of judgment discussed above: the neglect of the fact that while the gas fed to the motor is consumed, the money fed to the economy stays. It is like feeding a motor with an indestructible fuel that would have to be pumped out of the tank each time after being used, so as to avoid a conflagration. Pumping the money out of the economy is deflation, and it would cause a crisis each time because a deflation of the highly geared monetary volume creates price repercussions and psychological disappointments, which add up to a depression.

A monetary control that inflates and deflates at will is typical of Soviet Russian financial policy. It is essential for totalitarianism as a fundamental method of controlling the economy. It is incompatible with economic freedom and with the ideal of stability. But it appeals to the imagination of our totalitarian Liberals (or liberal Totalitarians), and we may live to see experiments along their lines.

Railroad Securities

(Continued from page 629)

$19.7 million in 1943 and $24.9 million in 1944. Federal income taxes alone reached $16.83 and $21.82 million in 1943 and 1944, equivalent to over $40 and $50 per share of common, 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 between $45 and $50 million with earnings on the common of between $5 and $7 per share. Such earning power, if realized, would make possible an increase over the 1% rate distributed in each of the past three years, especially as refunding will already have been accomplished and finances are strong. Among the more speculative secondary equities, Texas & Pacific has much to commend it, and its speculative purchase is recommended.

H. P. Wells Returns to Desk After War Service

JERSEY CITY, N. J.—Lt. Commander H. Prescott Wells, USNR, of the firm of Outwater & Wells, 15 Exchange Place, has returned to his former business after an absence of three years in the armed services.

OUR REPORTER'S REPORT

The current week, with its $58,000,000 of new corporate offerings, is likely to prove the high point for the month of August, in the opinion of those who keep closely in touch with the situation in the investment market.

Observers were satisfied that this month, coming in the wake of an unusually active July, would prove relatively dull, what with the rank and file seeking to get away for a couple of weeks of rest.

But added to such considerations there is now the mounting belief that with the tempo of our attack being stepped up severely in the Pacific, Japan may see the light and agree to unconditional surrender suddenly. News of the new atomic bomb and its potentialities, now coming to hand, tended to bulwark such expectations.

Accordingly those whose business is the underwriting of new securities are prone to recognize the fact that such a development would upset things, at least temporarily, and perhaps call for a resurvey of the overall picture.

They are aware that industry must be financed and that plans for expansion in the post-war period assure ample business in the months ahead. But they are not willing to overlook the fact that cessation of hostilities would cause potential issuers to hesitate and take stock of the situation before going ahead with such programs.

Accordingly with this week's three issues out of the way, the disposition is to look for quietude marketwise until along toward the end of the month. The next sizeable undertaking on schedule is Monongahela Power Co.'s projected offering of $22,000,000 new bonds and $9,000,000 of preferred stock due about August 20 next.

Eastern Gas & Fuel

Sale of Eastern Gas & Fuel Associates $40,000,000 of new first mortgage and collateral bonds, on Monday, was the exception that proved the rule. In nine cases out of ten where several groups are bidding for a given issue their tenders are decidedly close.

Several recent deals have been awarded on a difference of a few pennies on a $1,000 piece. But in this instance there was no reason for the issuer to hesitate about making the award.

Two banking groups sought the bonds and the winning syndicate offered to pay the company 100.5599 for a 3½% coupon, topping by a wide margin the price of 100.1599 offered by the runner-up for a coupon of 3¾%.

The bonds were offered yesterday at 102.17 to yield 3.35% whereas the opposing syndicate had planned to price 3¾s as par to yield 3.75%.

Great Northern Plans.

Railroad refinancing promises to contribute heavily to the fall emission of new securities, judging by plans already in the works.

Southern Pacific already has authorized call for redemption on Jan. 1 next of $159,459,000 of its first and refunding bonds.

Funds for this operation will be raised through the sale of $125,000,000 of new bonds to the public plus an additional $25,000,000 to the Southern Pacific Co., parent organization.

Meanwhile Great Northern plans the sale of a total of $75,000,000 of new bonds in two equal instalments, to provide for the retirement, on Jan. 1 next, of $50,000,000 of Series I bonds and on July 1, 1947 of $36,956,000 of Series E.

Two banking groups are reported being organized to bid for the bonds, one headed by Morgan Stanley & Co. and the other by Halsey, Stuart & Co., Inc.

Another Utility on List

The already long list of public utility projects was broadened with the addition of Columbia Gas & Electric Corp., which has informed the Securities and Exchange Commission of plans for interim financing.

The company proposes to sell $22,000,000 of two-year 1½% notes to banks at par and use such funds with $10,640,000 of treasury cash for the retirement of its 5% debentures due May 1, 1952.

The latter are outstanding in a total of $32,000,000 and subject to call at 102 and interest. By this operation the company hopes to reduce charges against income by approximately $1,220,000 which includes savings in interest and removal of charge for debt amortization and discount.

Crop Prospects in Canada Reported

A survey of crop prospects in Canada as reported by the Bank of Montreal on Aug. 2 says conditions in the Prairie Provinces are satisfactory in Manitoba, North-Central and Eastern Saskatchewan and in West-Central and South-western Alberta. Elsewhere, says the report, prospects vary from fair to poor. While good rains have checked deterioration in parts of Alberta they were too late to be of much benefit. It is now apparent, the Bank reports, that yields in the large, dry areas of Alberta and Saskatchewan will be light. Wheat is practically all headed out and coarse grains are making rapid progress. In the Maritime Provinces all crops are making satisfactory progress under favorable conditions. Conditions generally continue promising in British Columbia and the general outlook is favorable in Ontario and Quebec.

Canadian Securities

By BRUCE WILLIAMS

Theorists and universal planners rush in where men of sound experience fear to tread. How much more readily the Bretton Woods plan would have been accepted had it been the product of the professional banker and international business man. Canada can have its central bank run by the State without causing loss of confidence because wisdom has been displayed in placing at its head a recognized banker of long experience and respected judgment. "Montagu the Norman," however narrow his concepts, offered to a world torn by doubt and indecision, a solid orthodox policy which has stood the test of time.

No country has proceeded further in the field of nationalization than Canada, and even the tory stronghold of Ontario has not been backward in this respect. However, for the most part, public control has been administered economically and competitively for the benefit of the community, and not as part of a political program. Consequently, confidence at home and abroad has not been disturbed.

Unfortunately, this does not appear to be the case in the Mother Country. Brilliant planning has taken the place of tried orthodox experience. Managed currency by Lord Keynes replaces the gold standard of Montagu Norman; nationalization by politics-conscious Professor Laski usurps the policy of free enterprise so long successfully practised by the city of London. It becomes increasingly clear, therefore, that within the British Commonwealth, Canada offers not only the greatest opportunities for economic progress but also the last refuge of those who still wish to endeavor to succeed in a system of free enterprise and do not require state assistance from the cradle to the grave.

Turning to the market for the past week, the external section in the absence of interest slowly receded. Offerings were negligible but buying support was lacking. Albertas, however, were an exception to the rule and scattered buying maintained the price-level. Unsettlement continued in the internal section and considerable liquidation caused further weakness in free funds to 9⅞% before renewed investment buying checks the decline and steadied the rate to 9⅝.

As already mentioned, it should now be possible to make interesting purchases of internal Dominions by awaiting opportunities to purchase cheap exchange. However, following Finance Minister Ilsley's recent statement, there is now an established high level for the free Canadian dollar at about 9⅛% instead of a possible of parity. Consequently, subsequent swings can now be wider and it must be remembered that the recent bout of liquidation was fairly comfortably absorbed because of the existing considerably short position maintained by exchange professionals.

With regard to possible future developments now that we have entered the period of the August doldrums it is unlikely that there will be any early departure from the existing dull inactive pattern. However, any exaggerated decline would afford opportunities for scale buying in view of the fact that the fundamental situation is unchanged and Canadian securities, both internal and external, still make favorable comparison with domestic issues.

Also it is likely that the temporary uncertainty caused by doubts concerning a possible modification of the basic interest pattern will be removed in the near future, which although it might result in the correction of certain recent exaggerations in the U. S. Government bond market, such healthy adjustment would place all investment markets on a sounder footing.

Changes in SEC Staff

The resignations of Donald C. Cook and Ralph T. McElvenny, Assistant Directors of the Public Utilities Division of the Securities and Exchange Commission (termed as key members of the SEC) were announced on Aug. 3, according to special Philadelphia advices that day to the New York "Times," from which we also take the following:

At the same time the Commission reported the promotions of David K. Kadane of New York City, special counsel of the division, and Robert F. Krause of Rocky River, Ohio, a principal attorney of the division, to fill the berths vacated by Messrs. Cook and McElvenny.

Harry G. Slater of Newton, Mass., the Commission said, has been advanced from a principal attorney in the Public Utilities division to the post of special counsel and will assume the duties previously performed by Mr. Kadane.

The Commission also announced that, in view of the "heavier legal burden incident to an increasing volume of Section II plans," it has designated John W. Christensen of Hammond, Ind.; Maurice C. Kaplan of Chicago, Ill., and William R. Nowlin of Nashville, Tenn., as special counsel of the Utilities Division.

Mr. Cook, an employee of the SEC since May, 1935, had held the position of Assistant Director of the Utilities Division since March, 1943. He resigned to accept an appointment as special assistant to Attorney General Tom Clark, who recently succeeded Francis J. Biddle of Philadelphia as head of the Department of Justice. His resignation is effective immediately.

Mr. McElvenny, employed by the Commission since November, 1934, had held the position of Assistant Director of the Utilities Division since March, 1942. He submitted his resignation, effective on Aug. 11, in order to enter private employment in Chicago.

In connection with the resignations and promotions, the Commission stated that George Otis Spencer and Morton E. Yohalem will continue to serve as Assistant Director and counsel of the Utilities Division, respectively.

Arthur Whitehill Dead

Arthur M. Whitehill, Sr., a partner in Haydock, Schreiber & Co., New York Stock Exchange firm, died of a heart ailment while visiting his son, Arthur M. Whitehill, Jr., professor of philosophy in the University of Virginia. Mr. Whitehill began his career with the family firm of Cleveland & Whitehill Co., manufacturers at Newburgh, N. Y. He later joined Parker, McElroy & Co., New York stock brokers, maintaining his status of partner when the firm changed its name in 1940 to Haydock, Schreiber & Co.

Impact of the National Debt Upon Banks and the Capital Market

(Continued from first page)

The gross debt now outstanding approximates $245,000,000,000, most of it incurred during World War II but represented in the total are carryovers from the war with Mexico, the Civil War, the building of the Panama Canal, World War I and the battle with unemployment during the depression of the Nineteen Thirties.

Future Policies

What are to be the future debt policies of the nation? That depends, in part, on the trend of the outstanding debt. Is debt expansion likely to end with the defeat of Japan, or will the debt continue to rise for a considerable period thereafter? Will the budget be balanced during the reconversion period or will new debts be created to finance activities or provide employment for temporarily displaced laborers? Perhaps the reconversion may be so gradual as not to require governmental action. If a boom should follow industrial reconversion, will debt expansion be replaced by a period of debt retirement, or will the nation prefer tax reduction to debt redemption? The future trend of the national debt is thus uncertain. It may continue to grow, even at a declining rate; it may neither increase nor decrease perceptibly; it may even be reduced. The course, whatever it is to be, will be determined largely by the character of the years to come—by the periods of prosperity or depression which lie ahead. If, too, through political action, the nation attempts to maintain prosperity or prevent depression, one way or another the public debt will probably be affected.

Let us consider some of the problems arising from the sheer magnitude of the national debt, from the concentration in its ownership, together with the effects upon bank liquidity and the availability of capital for future needs.

Magnitude of the Debt

On V-E Day (May 8, 1945) the gross national debt was $235,435,000,000.[1] The Treasury places the pre-war (World War II) debt at $55,000,000,000 as of Nov. 30, 1941, which makes the debt increase for the defeat of Germany and the incidental campaigns against Japan equal to $180,000,000,000.[2] But if the debt increase is calculated from July 1, 1940, when military preparations began in earnest, the debt attributable to World War II up to V-E Day was $192,000,000,000,[3] and, of course, not all of the debts incurred up to that time are included. In World War I, for example, the armistice came on Nov. 11, 1918, but the peak of debt came on Aug. 31, 1919, on which date the obligations of the nation were $26,597,000,000.[4] On June 30, 1866, the total gross debt of the United States was about one-tenth of that sum—$2,756,000,000. These data indicate not only how great the increase in the national debt has been but also how much more costly each successive war has grown. On June 18, 1945, the gross debt was $244,750,000,000. By the time Japan surrenders, the debt may be not far from $300,000,000,000.

In Table I are shown the total gross debt of the United States for World War I and II and the trend during the 1930 depression. The data are given for the fiscal years ending June 30.

*An address by Professor Leland delivered at the Mortgage Bankers Farm Seminar, Purdue University, Lafayette, Ind., June 27, 1945. The second part of the address will appear in the "Chronicle" of Aug. 16. The author desires to acknowledge his debt to Messrs. Lloyd W. Mints and John K. Langum for suggestions and criticisms of preliminary drafts of this article. For errors of fact or judgment the author assumes full responsibility. The views expressed herein are purely personal and must not be attributed to any organizations or institutions with which the author is affiliated.

TABLE I

The Gross Public Debt of the United States for Selected Periods: 1914-20; 1930-38, 1940-45

Fiscal Year Ending June 30—	Total Gross Public Debt	Gross Public Debt Per Capita
1914	$1,188,235,400	$12.00
1915	1,191,264,068	11.83
1916	1,225,145,568	11.96
1917	2,975,618,585	28.57
1918	12,243,628,719	115.65
1919	25,482,034,419	240.09
1920	24,299,321,467	228.33
1930	16,185,309,831	131.49
1931	16,801,281,492	135.37
1932	19,487,002,444	155.93
1933	22,538,672,560	179.21
1934	27,053,141,414	213.65
1935	28,700,892,625	225.07
1936	33,778,543,494	263.01
1937	36,424,613,732	281.80
1938	37,164,740,315	285.41
1940	42,967,531,038	325.63
1941	48,961,443,536	367.54
1942	72,422,445,116	537.35
1943	136,696,090,330	1,001.55
1944	201,003,387,221	1,456.54
1945, as of May 31	238,831,869,452	1,714.23

Data taken from **Annual Report of the Secretary of the Treasury**, 1944, pp. 626-27; and **Daily Statement of the U. S. Treasury**, June 1, 1945.

Problems Created by a Large Debt

In any language, whether of sign or statistics, the national debt is a large debt. Practically all of it is internally-held. Even though we now owe $240,000,000,000 to ourselves, the larger the debt the more serious are the consequences of transfer payments of interest and principal, especially upon the distribution of incomes and resources and, perhaps, upon the incentives of bondholders and taxpayers to work, save and invest. The greater the debt bearing any given interest rate, the heavier the interest burden and the greater the costs of amortization. Such payments to bondholders ordinarily require the imposition of taxes which, in turn, reduce the spendable incomes of taxpayers. Thus, as the debt grows in size, taxpayers often seek to maximize national income and production in the hope of reducing the relative severity of debt charges. The larger the debt the larger are the transfers from taxpayers to bondholders; the greater the economic effects likely to flow from such transfers. These effects arise not merely from the taxes imposed and the payments made to bondholders but are influenced as well by the nature of debt ownership. If the debt is held by a **rentier** class, payment to them usually increases the inequalities in the distribution of wealth. If the debt is widely distributed among economic classes, the distributional effects of debt redemption are more equitable; the social and political consequences less serious. If the debt falls into the hands of speculators, manipulations for profit can be expected. If it is held by financial institutions it may add to the supply of credit at appropriate as well as inappropriate times. Such ownership will, however, tend to diffuse the effects of debt ownership over broad classes within society, especially in the middle- and lower-income groups whose bank deposits, insurance premiums and savings make possible as well as augment, the institutional investments in government securities. The larger the debt becomes the more important is the problem of who owns the debt: the more desirable is it, too, that the owners shall hold the debt until maturity, or until such times as increased spending is appropriate. From the standpoint of the owners, the larger their holdings become the greater are the problems of reinvestment and **ex hypothesi** the longer the period repayments will probably remain uninvested in the hands of individual owners. The problems of debt administration and management increase in difficulty with the growth in the volume of the outstanding debt.

Holders of the Debt

In the early days of public borrowing, loans were made to the State by wealthy individuals and families. A few notable private banks and investment houses trace their origin to such undertakings. In the course of time the rich private banker was replaced by banking institutions; the money market then provided the required funds, but during emergencies, as the borrowing requirements of nations became greater, popular subscriptions to diffuse debt ownership among citizens came into vogue. At first debt holdings were concentrated among the upper-income classes, but gradually public securities have come to be a preferred investment of workers and others who need comparatively riskless investments for their meager funds. A long-term historical survey of debt ownership will reveal a steady diffusion of debt ownership among individual citizens as well as a decrease in the relative concentration of ownership among the rich. The greatest strides in this direction have, of course, been made during World War II with the sale of Series E war bonds to workers and others through payroll deduction plans. Coincident with these developments has been the increase in the ownership of public debt instruments by commercial banks, insurance companies, and other financial institutions. The investment of social security trust funds in government securities has greatly augmented the importance of inter-fund borrowings. These, together with the institutional holdings which may be imputed to depositors, policy holders and investors, indicate a widespread diffusion of debt ownership among individuals in the United States. These citizen-owners, from among all income classes, have a vital stake in the future management of the national debt. Data as to the ownership of Federal securities are continuously available since 1916 and are shown in Table II.

In recent years the tremendous absorption of the debt by the banking system has been regarded with apprehension by many economists. During the late depression non-bank sources of funds tended to dry up and even many banks restricted their investments; during the war, commercial banks were depended upon to provide whatever funds non-bank investors did not supply. It was a matter of Treasury policy to keep bank loans to the lowest possible figure in order to minimize inflationary pressures; hence borrowings were directed at syphoning off the (potentially) spendable incomes of individual investors and to tapping the available resources of other lenders. During the fiscal year 1943, commercial banks and Federal Reserve banks absorbed $30,000,000,000 out of the $63,000,000,000 of Federal securities sold during that year.[5] During fiscal 1944, commercial banks and Federal Reserve banks purchased $24,000,000,000 out of the $62,000,000,000 of Federal securities issued in that year.[6] Banks thus absorbed 39% of the net Federal borrow-

1. **Daily Statement of the U. S. Treasury**, May 8, 1945, p. 2.
2. **Ibid.**, May 1, 1945, p. 9.
3. At the close of the fiscal year on June 30, 1940, the gross debt was $42,967,531,038. **Annual Report of the Secretary of Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1944**, p. 627.
4. **Daily Statement, supra.**
5. **Annual Report of the Secretary of the Treasury**, 1944, p. 89.
6. **Ibid.**

TABLE II

Ownership of U. S. Government Securities, Direct and Fully-Guaranteed

(In Millions of Dollars)

Fiscal Year Ending June 30	Total Interest-Bearing Securities Amount	†Per Cent	Federal Agencies and Trust Funds Amount	†Per Cent	Federal Reserve Banks Amount	†Per Cent	Member Banks Amount	†Per Cent	Other Commercial Banks Amount	†Per Cent	Mutual Savings Banks Amount	†Per Cent	*Insurance Companies Amount	†Per Cent	Other Investors Amount	†Per Cent
1916	$972	100.0%	$2	.2%	$57	5.9%	$703	72.3%	$50	5.1%	$10	1.0%			$200	20.6%
1917	2,713	100.0	2	.1	66	2.4	1,065	39.3	480	17.7	100	3.7			1,000	36.8
1918	11,986	100.0	53	.4	255	2.1	2,465	20.5	750	6.2	300	2.5			8,200	68.3
1919	25,234	100.0	149	.6	292	1.2	3,803	15.1	1,340	5.3	670	2.5			19,000	75.3
1920	24,061	100.0	207	.9	341	1.4	2,811	11.7	940	3.9	840	3.5			18,900	78.6
1921	23,737	100.0	349	1.5	259	1.1	2,561	10.7	830	3.5	950	4.0			18,800	79.2
1922	22,711	100.0	422	1.9	555	2.4	3,205	14.1	780	3.5	1,010	4.5			16,700	73.6
1923	22,008	100.0	412	1.9	102	.4	3,835	17.4	870	3.9	1,120	5.1			15,700	71.3
1924	20,982	100.0	386	1.8	431	2.1	3,575	17.0	860	4.1	1,160	5.5			14,600	69.5
1925	20,211	100.0	516	2.6	353	1.7	3,780	18.7	850	4.2	1,130	5.5			13,600	67.3
1926	19,384	100.0	626	3.2	385	2.0	3,745	19.3	810	4.1	960	4.9			12,900	66.5
1927	18,251	100.0	728	4.0	370	2.0	3,796	20.8	800	4.5	810	4.5			11,700	64.2
1928	17,318	100.0	821	4.7	235	1.4	4,225	24.4	940	5.4	720	4.1			10,400	60.0
1929	16,639	100.0	884	5.3	216	1.3	4,155	25.0	790	4.8	560	3.4			10,000	60.1
1930	15,922	100.0	972	6.1	591	3.7	4,061	25.5	920	5.7	520	3.2			8,900	55.9
1931	16,520	100.0	435	2.6	668	4.1	5,343	32.3	670	4.0	650	3.9			8,800	53.2
1932	19,161	100.0	570	3.0	1,784	9.3	5,628	29.4	590	3.1	680	3.5	$800	4.2%	9,100	47.5
1933	22,158	100.0	689	3.1	1,998	9.0	6,887	31.1	590	2.7	720	3.2	1,000	4.5	10,300	46.4
1934	27,161	100.0	1,451	5.3	2,432	9.0	9,413	34.6	890	3.3	970	3.6	1,500	5.5	10,500	38.7
1935	31,768	100.0	1,998	6.3	2,433	7.7	11,409	35.9	1,290	4.1	1,540	4.8	2,600	8.2	10,500	33.0
1936	37,707	100.0	2,329	6.2	2,430	6.4	13,671	36.3	1,600	4.3	2,050	5.4	3,900	10.3	11,700	31.1
1937	40,465	100.0	3,594	8.9	2,526	6.2	12,689	31.4	1,870	4.6	2,390	5.9	5,000	12.4	12,400	30.6
1938	41,429	100.0	4,799	11.6	2,564	6.2	12,343	29.8	1,700	4.1	2,690	6.5	5,200	12.6	12,100	29.2
1939	45,336	100.0	5,908	13.0	2,551	5.6	13,777	30.4	1,920	4.3	3,040	6.7	5,800	12.8	12,300	27.2
1940	47,874	100.0	7,070	14.8	2,466	5.1	14,722	30.7	1,828	3.8	3,110	6.5	6,500	13.6	12,200	25.5
1941	54,747	100.0	8,482	15.5	2,184	4.0	18,078	33.0	2,022	3.7	3,430	6.2	7,000	12.8	13,600	24.8
1942	76,517	100.0	10,611	13.9	2,645	3.4	24,098	31.5	2,292	3.0	3,890	5.1	8,900	11.6	24,100	31.5
1943	139,472	100.0	14,311	10.3	7,202	5.1	46,980	33.7	5,480	3.9	5,290	3.8	12,800	9.2	47,400	34.0
1944	201,059	100.0	19.097	9.5	14,901	7.4	60,339	30.0	8,092	4.0	7,306	3.7	17,300	8.6	74,000	36.8

*Before 1932 insurance companies included in "other investors."
†Per Cents will not necessarily add up to totals due to rounding in original figures.
Source: **Federal Reserve Bulletin**, December, 1943, p. 1178; July, 1941, p. 664.

TABLE III

Treasury Survey of Ownership of All Interest-Bearing Securities Issued or Guaranteed by the United States Government, Feb. 28, 1945

(In millions of dollars)

Classification—	Total amt. outstanding	Held by investors covered in Treasury survey — *Banks: †7,410 commercial banks	34 stock savings banks	542 mutual savings banks	Insurance companies: Total	317 life insurance companies	653 fire, casualty & marine insurance companies	All U. S. Govt. agencies and trust funds and Federal Reserve banks	‡Held by all other investors
Public securities:									
Marketable securities	$163,166	$72,186	$357	$8,476	$19,289	$16,828	$2,460	$24,690	$38,168
Non-marketable securities	52,672	1,286	7	189	268	98	169	15	50,907
Total public securities	$215,838	$73,472	$364	$8,665	$19,556	$16,927	$2,630	$24,706	$89,075
Special issues	17,130	----	----	----	----	----	----	17,130	----
§Total interest-bearing securities issued or guaranteed by the United States	$232,968	$73,472	$364	$8,665	$19,556	$16,927	$2,630	$41,836	$89,075
Percentage distribution	100%	31.5%	.2%	3.7%	8.4%	7.3%	1.1%	17.9%	38.2%

Taken from "Bulletin of the Treasury Department," May, 1945, p. 49.
*Securities held in trust departments are excluded.
†Includes trust companies.
‡This column includes securities held by those banks and insurance companies which are not covered in the Treasury survey. See headnote to this section.
§Guaranteed securities held by the Treasury are not included.

Newport News Shipbuilding and Dry Dock Company

Statement of Recorded Cost of Work Performed During the Thirteen Weeks and the Twenty-six Weeks Ended June 25, 1945 and June 26, 1944

(Subject to year-end audit, charges and adjustments)

	Thirteen Weeks Ended June 25, 1945	June 26, 1944	Twenty-six Weeks Ended June 25, 1945	June 26, 1944
New Ship Construction	$29,024,000	$31,133,000	$53,814,000	$61,134,000
Ship Repairs and Conversions	942,000	1,530,000	1,644,000	2,681,000
Hydraulic Turbines and Accessories and Other Work	1,292,000	753,000	2,003,000	1,334,000
Totals	$31,258,000	$33,416,000	$57,461,000	$65,149,000

By Order of the Board of Directors

R. I. FLETCHER
Comptroller

July 31, 1945

ings in 1944 and 49% of the loans in 1943.

On a cumulative basis, commercial banks and savings banks, on Feb. 28, 1945, held $82,501,000,000, or 36%, of the total interest-bearing securities issued or guaranteed by the United States.[7] Insurance companies held $19,556,000,000, or 8%, of the outstanding issues. Government agencies, trust funds and the Federal Reserve banks held $41,836,000,000, or 18%, of total issues, while all other investors owned $89,075,000,000, or 38%, of the outstanding debt, as is shown in Table III. Thus the holdings of individual and corporate investors, other than banks and insurance companies, were only slightly in excess of the amount of Federal securities owned by commercial and savings banks. At the time this survey of ownership was made the total outstanding interest-bearing securities of the national government amounted to $232,968,000,000.

Sale of Future Issues

Will these owners continue to hold on to their securities until maturity? Or will some sell substantial amounts in order to secure more attractive returns elsewhere, to finance new undertakings, to utilize the funds in their own businesses, or will they spend the proceeds on consumption goods? If securities are offered on the market, who will purchase them? And what effects, if any, may arise from the changes in ownership?

It may be doubted if after the war, patriotic urges can be depended upon to assure the sale of substantial amounts of Federal securities to individuals and business concerns. They will always purchase some "governments," it is true, but purchases will depend on individual investment requirements rather than upon government need for funds. Purchases will be affected by the then existing alternative uses of private capital and by investment alternatives, as well as by the sums available for expenditure or investment. These are variables not all of which are within the control of government but which, of course, will be affected by public fiscal policies, the flow of money payments, the level of employment and other conditioning factors. Idle balances may be absorbed by short-term offerings but longer-term commitments will be more generally dependent upon the state of trade and the outlook for the future.[8] Thus whether individuals and businesses can be expected to absorb the securities thrown on the market is dependent largely upon the relevant economic conditions at the time.

The supply of securities on the market, apart from the new issues offered by the Government, will be determined not only by forces like those just mentioned but also by switches in investment portfolios of financial institutions, affected materially by present and prospective yields. Suppose that non-bank owners want to sell government securities, will the banks purchase them? Either the banks, the Federal Reserve System, or the Treasury will have to do so; otherwise security prices will fall to a point where they become attractive to other investors.[9] Again, relative yields will be a decisive factor. But banks are not free to buy any and all United States bonds sold on the open market. Since 1942 commercial banks have not been eligible to hold certain issues, principally

(Continued on page 634)

7. Bulletin of the Treasury Department, May 1945, p. 49.

8. The effects of short-term financing have been dealt with elsewhere. See Leland, Short-Term Debt, the Banks and the Future, Sixth Annual Minnesota Bankers Conference, University of Minnesota, Minneapolis, Feb. 13, 1945.

9. Maintaining bond prices has been discussed by the author in "Management of the Public Debt after the War," American Economic Review, Supplement, Vol. XXXIV, No. 2, pp. 111-22, June 1944.

"Live Alone and Like It"

Title of a Recent Popular Book

The above volume is recommended reading for American capitalists (and their Canadian and possibly Swiss counterparts) if we are to take British Laborites at their word. For the American financial way, based upon free enterprise and free markets, may be the only remaining example of its kind in a post-war regimented or socialized world. This is not the place for an analysis of the reasons for the overwhelming defeat of the Conservative Party in Great Britain. The subject has been adequately dealt with in the press, but there is some question as to the ability of the Labor Party to carry out more than a small part of its ambitious but radical program. We wonder whether the British are rich enough just now to afford the luxury which we chose in the 1930's, namely, reform before recovery. At any rate, the election news was a great surprise all around and naturally caused some liquidation of common stocks and speculative bonds, but the action of the market was not convincing. A program of socialization will hardly attract foreign capital to London; some which might have gone there in the future may now come here. The fall of the Churchill government was a shock, and it may have interesting repercussions in Spain, Portugal and elsewhere on the Continent, but we seriously doubt whether the event makes American common stocks worth less in the long run. Ratification of the United Nations Charter by the U. S. Senate and passage of the Bretton Woods legislation were offsetting influences which had no effect.—From "Market Comment," by Robert S. Byfield, Byfield & Co.

Industrial Relations Conference Proposed

Senator Vandenberg (R.-Mich.) is reported to have proposed to Labor Secretary Schwellenbach that he sponsor a general industrial peace conference, and, according to the "Wall Street Journal," Aug. 3, the Labor Secretary is said to have endorsed the suggestion. Senator Vandenberg is said to have asked the new head of the Labor Department to call together representatives of industry, labor and Government to promulgate a program by which strife in the period of reconversion might be avoided.

The proposed conference will probably not be held until Mr. Schwellenbach has completed the task he is now engaged in, that of working out a plan to merge all Federal agencies dealing with labor.

Now Capt. Schlesinger

Robert L. Schlesinger, who before entering the Army was connected with Edwin J. Schlesinger, investment counsel, 41 East 42nd St., New York City, has recently been promoted from first lieutenant to captain.

Impact of the National Debt Upon Banks and the Capital Market

(Continued from page 633)

the 2½% bonds, until, say, ten years after issue. The amount of such issues outstanding on Feb. 28, 1945, was $25,055,000,000, or about 18% of the total marketable debt. The facts as to these issues are shown in Table IV.[10]

Not all of these securities would be offered for sale at any one time—that is certain. But the volume to be offered and the probable time of offers are unknown. Whether the sales options would exceed the purchase orders, or vice versa, or whether the sales could be absorbed readily or the market upset by price changes are all conjectural. That these things could happen must be acknowledged. If banks as the greatest potential buyers of United States securities can not own 18% of the outstanding marketable issues until after a period of years, who will take the offerings of present holders? It is possible, of course, that buyers for these securities of limited negotiability may not be found **at certain times in the future** until yields are made more attractive by price declines. Understand, this is not a prediction; it is merely a possibility created by restrictions on the

TABLE IV

U. S. Securities Not Eligible for Commercial Bank Ownership Until After Specified Dates

Issue—	Dated	Ineligible for Commercial Bank Purchase Until	Amounts Outstanding Feb. 28, 1945
Treasury 2½% 1967-62	May 1942	5- 5-1952	$882,000,000
Treasury 2½% 1967-62	Aug. 1942	5- 5-1952	1,236,000,000
Treasury 2½% 1968-63	Dec. 1942	12- 1-1952	2,831,000,000
Treasury 2½% 1969-64	April 1943	4-15-1953	3,761,000,000
Treasury 2½% 1969-64	Sep. 1943	9-15-1953	3,838,000,000
Treasury 2½% 1970-65	Feb. 1944	2- 1-1954	*†5,197,000,000
Treasury 2½% 1971-66	Dec. 1944	12- 1-1954	‡3,487,000,000
Treasury 2¼% 1959-56	Feb. 1944	9-15-1946	*3,823,000,000
Total			$25,055,000,000

Tabulation of securities ineligible for commercial bank purchase secured from W. R. Diercks, Examination Department, Federal Reserve Bank of Chicago. Outstanding amounts taken from **Bulletin of the Treasury Department**, May 1945, p. 52.

***Exceptions during Fourth War Loan Drive (1-18-1944 to 2-15-1944)** These treasury bonds and the Series F and G Savings bonds could be acquired up to 10% of savings deposits (as defined by Reg. Q) as shown on last call report, or $200,000, whichever is less.

†Exceptions during Fifth War Loan Drive (6-12-1944 to 7-8-1944) These treasury bonds and the Series F and G Savings bonds could be acquired up to 20% of savings and time certificates of deposit issued to individuals, etc., as shown on last call report, or $400,000, whichever is less. Total limit on such purchases includes those made under the formula applying to the Fourth War Loan Drive, whether or not the issues have since been sold. Banks may purchase the Treasury 2—1954-52 without restriction in the open market after the close of the drive on 7-8-1944.

‡Exceptions during Sixth War Loan Drive (11-20-1944 to 12-16-1944) These treasury bonds and the Series F and G Savings bonds can be acquired up to 10% of savings and time certificates of deposit issued to individuals, etc., as shown by the last call report to supervising authorities, or $500,000, whichever is less.

negotiability of certain present issues.

Fortunately, many of these issues are in the hands of insurance companies and others who bought for the sake of long-term yields and may be counted on to hold substantial blocks until maturity. For example, on Feb. 28, 1945, about 12% of the marketable interest-bearing securities of the United States were owned by insurance companies, 15% were in the hands of government agencies and the Federal Reserve System, while 23% were held by other non-bank investors, as is shown in Table V.

That part of the debt now held by U. S. agencies and trust funds, and by the Federal Reserve banks can be dismissed from present consideration. The agency and trust fund investments will be held until maturity or until the funds in question need cash. The Federal Reserve Bank holdings will be increased or decreased in accordance with over-all monetary policy requirements and we may assume that the policies adopted will be appropriate to the times. The prospect of extensions in the social security program, with increases in contributory payments or appropriations from general revenues, will increase the ownership of Federal securities by these funds, so long as the reserve basis of figuring liabilities continues. As government agencies and funds increase the share of the public debt held by them, market uncertainties are to that extent avoided. Interfund borrowing will become more important relatively and will, of course, present other problems, which will not be considered here.

About half of the marketable debt, on Feb. 28, 1945, was owned by commercial and savings banks, which also may be reluctant to sell their long-term issues because of their relative high yield. The long maturities, however, were concentrated mainly in the hands of insurance companies and non-bank private investors. Of the securities due in from 15 to 20 years, 43% were owned by insurance companies and 28% by non-bank investors. 70% of the issues due in 20 years and over were held by these two groups of investors. This may sound reassuring but there is no assurance that these owners will continue to hold substantial amounts of Federal securities until maturity. They may do so, and propaganda may be directed so as to induce them to hold, but economic forces have a way of bringing about sales and the shifting of investment portfolios. For example, life insurance companies from 1929 to 1933 had less than 5% of their total admitted assets invested in United States bonds.[11] It was not until after 1934 that the 49 companies representing over 91% of life insurance assets owned over $1,000,000,000 worth of Federal securities.[12] During the depression they steadily increased their purchases of United States securities and during the war they have even disposed of other assets in order to increase bond subscriptions. In view of their contractual interest assumptions and the claims of policy holders, insurance companies have invested for long-term yields and have attempted, risks being considered, to maximize investment returns. War-time shifts in insurance company investments seem to indicate that these companies can not be expected to hold "governments" to maturity in post-war years **irrespective of trends in security markets** and the appearance of new offerings carrying the prospect of higher returns.[13] The possibility of such transfers can not be dismissed even if the contingency now seems remote.

If, then, a substantial portion of the $25,000,000,000 of securities which can not be sold to commercial banks for several years should be offered for sale, nothing may happen until the price of these issues begins to drop sharply, in which case the Treasury may be expected to act. The Open Market Committee of the Federal Reserve Banks would probably be urged to support the market, if it did not do so at once on its own initiative. The Treasury might abrogate the present restrictions on purchases by commercial banks. Or funds at the disposal of the Treasury might be used to assist the Federal Reserve banks in taking government issues off the market. Such purchases by the Reserve System would provide the member banks with additional excess reserves which the banks, in turn, might use to buy "governments" or to make loans to individuals to finance such purchases. This might postpone the necessity for removing the limitations on bond purchases by commercial banks. If interest rates, however, were advancing, the Treasury, instead of buying in the market, might refund such issues as were callable or offer to exchange outstanding issues for new issues bearing higher coupon rates. This would solve the problem of pressure on the market but would increase both interest costs and administrative expenses. The credit standing of the Government would not be jeopardized by such events, nor is it believed that they would adversely affect the marketing of other securities, save as the large amount of "governments" offered for sale mopped up savings awaiting investment, or increased the appetite of investors for practically riskless securities. These possible effects have become more important as the size of the Federal debt has increased.

(The balance of this address by Professor Leland will appear in the "Chronicle" of Aug. 16th.—Editor.)

10. In addition to limitations shown in Table IV certain securities offered for sale during the Seventh War Loan (May-June, 1945) are ineligible for bank ownership at present. Commercial banks may not purchase 2½% Treasury Bonds, issued June 1, 1945, due June 15, 1972, until after June 15, 1962. They may not purchase 2¼% Treasury Bonds, issued June 1, 1945, due June 15, 1962 until after June 15, 1952. Commercial banks may subscribe concurrently with the Seventh War Loan, but not as a part of the Loan, to the 1½% Treasury bonds, issued June 1, 1945, due Dec. 15, 1950, and ⅞% certificates, issued June 1, 1945, due June 1, 1946, and to United States Savings Bonds, Series F and G. These subscriptions will be limited to 10% of the combined amount of time certificates of deposits of individuals and non-profit corporations or associations and of savings deposits, but not to exceed $500,000. Purchases of Series F and G savings bonds will be subject to the regular annual limit, applicable to all investors, of $100,000 for both series combined. Only natural persons can subscribe to Series E Savings bonds. See **Bulletin of the Treasury Department**, May 1945, pp. A-2-3.

11. See **Proceedings of the Thirty-sixth Annual Meeting of the Association of Life Insurance Presidents**, New York, Dec. 11. 1942; **ibid.**, 1943, pp. 18, 20. Per cent of United States bonds owned to total admitted assets was as follows: 1929, 2.0%; 1930, 1.8%; 1931, 1.9%; 1932, 2.2%; 1933, 4.2%.

12. In 1934, 49 legal reserve companies owned $1,738,000,000 of United States securities; on Sept. 30, 1944, they owned $14,177,000,000. **Ibid.**

13. Cf. Leland, "The National Debt and its Management," Annual Economic Conference. Chicago Chapter Chartered Life Underwriters, Nov. 16, 1944.

TABLE V

Ownership of Marketable Interest-Bearing Securities, Classified by Owners and Maturities, Feb. 28, 1945

(Amounts in millions of dollars)

Securities due or callable within period shown	Total outstanding		Banks		Insurance companies		U. S. agencies and trust funds and Fed. Reserve banks		Held by other investors	
	Amount	Per Cent	Amount	Per Cent of total	Amount	Per Cent of total	Amount	Per Cent of total	Amount	Per Cent of total
Within one year	$57,836	100%	$25,976	45.0%	$605	1.0%	$18,014	31.1%	$13,240	22.9%
One to 5 years	31,563	100%	21,936	69.5%	1,910	6.1%	1,712	5.4%	6,004	19.0%
Five to 10 years	38,468	100%	24,681	64.2%	4,040	10.5%	947	2.5%	8,801	22.9%
Ten to 15 years	9,783	100%	4,234	43.3%	2,124	21.7%	704	7.2%	2,722	27.8%
Fifteen to 20 years	14,084	100%	2,585	18.4%	6,049	43.0%	1,478	10.5%	3,971	28.2%
Over 20 years	11,400	100%	1,593	14.0%	4,550	39.9%	1,829	16.0%	3,427	30.1%
Various (Federal Housing Admin. debentures)	32	100%	12	42.6%	10	33.0%	6	19.1%	3	8.9%
Total	$163,166	100%	$81,019	49.6%	$19,289	11.8%	$24,690	15.1%	$38,168	23.4%

Data taken from "Bulletin of the Treasury Department," May, 1945, p. 49-50.

Basic Transportation Policy Needs

(Continued from page 618)

mately one-fifth of the country's invested capital—private and government. The quality, convenience, and costs of transportation influence the standard of living of every man, woman, and child in the United States. The transportation factor enters many times into the distributive systems of agriculture and industry. It influences the price of all commodities.

Care and Deliberation

Post-war policies for transportation are so fundamental in their implications that neither time nor effort should be spared in exploring every aspect of the many problems of this industry before Congress reaches conclusions regarding the objectives and principles of future regulation.

We can no longer risk the dangers inherent in past procedures. For 25 years expediency has influenced the determination of national policies. Little attention has been given to the many sound proposals submitted and the "storm warnings" raised by competent public and governmental authorities in this period. The recommendations, for example, of the Interstate Commerce Commission in 1926, the National Transportation Committee in 1934, and the Federal Coordinator have gone unheeded. In prosperous times the course of least resistance usually prevails—considerations of basic issues are postponed. When the industry is confronted with recurrent emergencies, we patch legislation here and there with hasty and ill-conceived experiments.

The motor carrier act of 1935 was a decade too late. It was conceived with little regard for the services and problems of existing forms of transport. Scant attention was paid to either the economic character or the extent of public requirements for services. This statute was designed not only to regulate "for hire" highway transport but also to promote competition between such facilities and rail services.

Legislative policies affecting surface common carriers were reviewed by Congress in 1939-1940. Again we failed to deal with the problem as a whole. In the preamble of the transportation act of 1940 we paid lip service to "coordination" of services, but the conduct of regulation under the three parts of the act actually operates to the contrary. There has been no real attempt at coordination.

When the civil aeronautics act was enacted in 1938, the extent to which the airplane would enter into the social and economic life of the nation was then uncertain. There were, indeed, justifiable reasons for the promotional aspects of this statute. National defense was the underlying theme.

I am informed by leaders in the industry that the war has advanced the technology and science of aerodynamics at least 30 years. The future of this facility is now predictable. Domestic air transport will probably be limited only by the size of airports and the degree to which government participates in the cost of furnishing and maintaining basic facilities of all kinds.

The Army and Navy will develop and maintain their own air forces for the national defense. Separate appropriations will be provided by Congress for this purpose.

Therefore, if government is to assume the prerogative of "promotion" as a permanent policy for commercial transportation, it should apply such a policy to all alike.

Conflicts in Regulation

Since 1920 we have built transport legislation on two conflicting premises—on the one hand, we rely on regulation to protect the public interest—on the other, we assume that regulation, by itself, is inadequate and must be buttressed by a wasteful and destructive philosophy of competition. We now attempt to regulate competition among types of facilities, each constituted on a different economic base. Apparently, we are not sure of our concept of regulation or what should be done to make it work. As a result, we have developed a "crazy quilt" of transport agencies in the United States. There are hundreds of contract and common-carrier agencies and thousands of shippers are now engaged in the business of commercial transportation on their own account.

The inevitable consequences of the lack of a transportation policy dealing with common-carrier services as a whole is either bankruptcy or a constant increase in the level of rates that the public must pay to maintain a vast peacetime surplus of both services and facilities. Since 1930, except for the transitory tonnage of this war, there has never been enough traffic to go around. Peacetime surpluses and wartime shortages can be equally catastrophic. We have revived the doctrine of competition in rates, reinstating the same discriminations and preferences that prevailed before the original interstate commerce act, enacted in 1887. We are right back to where we started, with the same problems and issues, complicated and magnified many times, that were responsible for the beginning of regulation.

The Basic Issue

In 1920 about 96% of the ton miles and 90% of the passenger miles in the United States were transported by railroads. In 1941 the rails handled only 62% of the ton miles and 14% of the passenger miles. Private, contract, and common carriers by water, highway, air and pipe line carried the rest of the traffic. It follows that the higher the rates of common carriers, the greater the diversion to private carriers. Since 1930 over one-third of the agencies engaged in water and rail services have been in or on the brink of bankruptcy; over half of the common carriers by highway have gone bankrupt or are working "for wages." Financial collapse of the entire common-carrier industry, with few exceptions, was saved only by war. Private ownership must work in peacetime—not depend on war to rescue it. Into the middle of this experiment of attempting to regulate an unsound application of the competitive principle, came the airplane.

There is no doubt that the farsighted policy embarked on by Congress 23 years ago in extending government aid to air transport has been more responsible than any other one factor for the exceptional contribution of the airplane to this nation's war program. Probably no use of public funds has paid greater returns than the financing of basic facilities for air by the local, state, and federal governments.

But, railroads are required to build and maintain their basic facilities wholly from private capital.

And, from the use of these two sources of credit stems the fundamental issue of the present-day transportation problem. Shall government funds invested in the public domain, **which need earn no return**, continue to compete with, or shall they complement, private capital invested in railroad rights-of-way, **which must earn a return?**

Use of Government Credit

Let me emphasize that the traveler is not interested in competitive wars between air and surface carriers; much less should he be required to pay the costs of duplications of facilities and of wastes inherent in such conflicts.

By what logic is the interest of the traveler served by denying bus companies the right to own and operate helicopters, thus providing a complete transportation service within their sphere of operations?

By what logic is the interest of the traveler and shipper served by denying water agencies which have pioneered the American flag on the high seas, the right to own air facilities and coordinate such services with their ships?

By what logic is the interest of the traveler and shipper served by restricting common ownership, coordination and operation of any or all rail, water, highway, and air services?

Obviously, there should be justifiable reasons, from the point of view of the user, for all these prohibitions and restrictions. We have been able to find none. In the absence thereof, it follows that Congress must devise some formula for equalizing or spreading the benefits of government expenditures over all forms of carriers.

Not only is the user today required to pay, either through taxation or in the level of his rates, for a myriad of duplications in overhead—ticket offices, ground facilities and surpluses of all kinds, but, perhaps of greater importance is the fact that there is little coordination in such services.

No attempt has yet been made to utilize the most efficient and least costly facility in the sphere of its greatest economic usefulness except in one instance—the Railway Express Agency. Otherwise we have a jumble of facilities, all competing for the same traffic.

Commercial air lines pay a token fee for the use of airports. They pay nothing whatever for all other government services. Airlines, busses and trucks pay property taxes on the facilities they own. Busses and trucks pay license fees and gasoline taxes for the use of government funds invested in highways and the upkeep thereof. Whether they pay too little or too much leads us into fields of debate and controversy that I have, thus far, been unable to resolve.

The advocates of things as they are contend that highways, waterways, and airports are available to the whole public—to private and contract, as well as common carriers. This is true. They also say that part of the cost and upkeep thereof should be defrayed from general taxation. I will not argue this point. But, again, let us pursue this question from the user viewpoint. Any shipper or traveler can use the railroad. Goods can be tendered for shipment by rail and cannot be refused. Never does a notice reading "Closed" or "Out of Business" appear on a railroad station. Anyone can travel by train. But, when he pays his freight bill or his fare, included therein is a user charge that reflects a return on **all** the private capital in railroad rights-of-way **plus property taxes.** Rail rates are not cushioned by government credit.

Singularly enough, commercial air carriers are permitted, without restriction, to invest their earnings in stocks or securities of railroads or other surface carriers. Thus, they can also support the security of their private capital with the earnings derived from such surface facilities. Surface carriers are denied this right.

Realities vs. Theories

A realistic view of this whole situation of government aid to transport is that such assistance will increase rather than decrease in the post-war period. It is politically popular, and the United States is a very "political" country. I am dealing with trends as they are,—not theories. It would be just as futile to undertake a revision of thought on these questions as it would have been to argue against the merits of the Capper-Volstead cooperative marketing act of 1923, or the Hoch-Smith resolution of 1924, both designed to prefer agriculture. Each measure was deemed necessary at the time.

Likewise, we might construe the tariff as a form of subsidy for industry and the present device whereby producers and consumers can organize to avoid the payment of taxes is clearly outside the original framework of private enterprise. But I would not fancy the job of undoing all these things. And at this time I cannot produce a satisfactory and practical definition of subsidy in transportation. But we can address ourselves to the use of government financing, to the preferments and discriminations, to the determination of a national policy that will provide the maximum support for private capital that remains in the common-carrier industry, and to encourage future sources of private credit to support this major segment of economy.

The people of this country insist on the most efficient and up-to-the-minute airway services. They will obtain such services one way or another. They are equally concerned with the most efficient water, rail, and highway services. Thus, the problem is to determine how this aim can be attained without the risk of ultimate government ownership.

The Association's Approach

Let me outline the approach to this problem by the Association I represent.

At the very outset it becomes necessary to define the function of the common carrier. The association submits that it has but one purpose—to provide the traveler, shipper, and consumer with the most convenient and efficient service at the lowest possible cost, and to maintain itself in readiness for the national defense. **It is axiomatic that regulation dealing with such services must likewise be based on this fundamental concept.** The Transportation Association of America does not believe that the shipper or traveler is primarily concerned with who owns each and every common carrier, except that he rebels against government ownership. Certainly, he is not interested in the name of the company that furnishes the service. He is entitled to have his "transportation dollar" used in such way as to supply the most efficient facility at the lowest possible rates. He should not be compelled to pay, either through taxes or in the level of rates, for the wastes and costs inherent in a disastrous application of the competitive principle. Much less is the traveler and shipper interested in the conflicts and controversies arising as a result of one group seeking to promote its self interest against another, except as such propaganda confuses public thinkink and beclouds basic issues.

In approaching this problem solely from the point of view of the users as a whole and investors as a class, the Transportation Association believes that national policy should encourage, by deliberate and orderly stages, the creation of competitive transportation systems; that such systems should not, however, exclude the independent carrier where the public interest is served by such added competitive services.

Putting it another way, we would permit, under authority of the regulatory body, ownership of any or all facilities by a transport agency that would enable it to provide a complete transportation service throughout the area in which it operates. We would permit common ownership between existing agencies, or, if more practical under any given set of conditions, we would permit contractual arrangements as a step to gain the ends sought.

We would not **compel** any of these things. We would afford the legislative **opportunity.** By taking time, under a statute that invited cooperation within the industry, it is my opinion that leadership would respond to that opportunity.

In this equation we deal not only with what is best for the traveler, shipper, and consumer, but also with the private capital of millions of our people already invested in hundreds of separately incorporated transport companies of all kinds. Future national policy must treat just as fairly with investors in the smallest agencies as with those in the largest. No act of Congress or decision of a regulatory body should prefer the private capital of any one group of investors at the expense of another. Certainly, no use of government credit should do so.

Progress under permissive law may not be as slow as some predict. We must appreciate that the whole concept of regulation for 50 years, with the exception of the civil aeronautics act, has been punitive and restrictive—as witness the present suits against the railroads under the Sherman act of 1890.

Transportation Systems

Over the years, "competitive transportation systems" should be so constituted as to accomplish the following:

a. Preserve competition between systems—between the different types of facilities operated by such systems.

b. Demonstrate, by actual operating experience, the adaptability of one type of facility or another in a particular economic sphere. This aim can never be attained by regulation.

c. Coordination of services and facilities. One type of service would support another at the least possible expense.

d. Elimination of waste and duplication in facilities and services, of excesses in capital outlays, both private and government.

e. Gradual consolidations as economic conditions warrant.

f. Common carriers would be placed, as nearly as practicable, in an economic position to offer the shipper the same type of service at no greater cost than he now performs it for his own account. The real competitor—the real deterrent to any form of monopoly—is the private carrier. Soon the impact of privately owned facilities will also be felt by commercial air lines.

g. Private investment in the common-carrier industry would be fortified by the maximum support that it is possible for regulation to afford—a support **derived from the earnings of all types of facilities.**

h. The benefits of government expenditures on the public domain—waterway, highway and airways—would be spread over all forms of transportation.

The Transportation Association of America believes that transportation facilities are "tools"—that national policy should be so designed that each tool should be utilized where it can perform the most efficient service for the public at the lowest possibile basis of rates.

An Alternative

In offering this recommendation we suggest one of two alternatives. The other, sponsored by the National Resources Planning Board, provides for government purchase of railroad rights-of-way and terminals—making them a part of the public domain and leasing them back to private operators. Once we embark on such a course there would be no retreat from inevitable government ownership.

Of course, there is the half-way proposition, inconsistent as it is with the system of private ownership. We might waive all property taxes on railroads. If we continue to pursue a national policy that compels competition between types of facilities, the question of railroad property taxes will become a major issue. It would be well to anticipate what it means. Such relief would, for example, place the Grand Central and Pennsylvania stations in New York on a parity with LaGuardia Airport, providing the rental charge for the use of the airport compensated fully for its upkeep, operation, and the payment of interest on the entire public investment.

Inept Regulation

In conclusion, let me emphasize that Congress might go to unusual lengths to formulate a most perfect statute, yet utterly fail to accomplish its intent because of inept and inefficient regulation. I believe the time has arrived to overhaul completely the structure and methods of regulation. In 1938, Congress divided this function between two governmental agencies—the Interstate Commerce Commission and the Civil Aeronautics Board. It has likewise delegated promotional activities for airways to the Civil Aeronautics Authority, for highways to the Public Roads Administration, for waterways to the Maritime Commission. There is **no** agency promoting railroads. And, there are many water carriers who now seek a special regulatory body of their own.

These governmental agencies compete with one another in an effort to protect and advance the interests of their own form of carrier. They have no responsibility whatever to the public interest in adequate and efficient transport services as a whole. There is no coordination as to either policies or activities among any of them. It would be difficult to visualize a more haphazard and inefficient hodge-podge of regulatory and promotive controls.

There should be one regulatory body dealing with all domestic common carriers. Its structure of organization, and the conduct of its function, should be geared to keep apace with the fast-changing economy of a post-war world.

From the report of the Standing Committee on Commerce of the American Bar Association annual meeting — Los Angeles, Calif., July 15, 1935:

"The advance should be in another direction. It is now universally recognized that all forms of transportation have a useful place in the national system, and that the problem is so to coordinate and integrate them that the public may best be served. As it is frequently put, we need transportation systems rather than railroads, boat lines, or bus and truck lines. And unless these transportation systems are of sufficient strength, the public service will suffer."

Nat'l Economic Activity in 1945

(Continued from first page)

grams and the necessary readjustments which industry must make—readjustments which will continue to characterize the economy for the next 2 or 3 years.

The effects of these transitional changes on purchasing power and employment should not be viewed with too much optimism. On the contrary, the trends must be watched very closely in order to prevent possible serious adverse consequences. For this reason a periodic analysis of the prospects in some detail and in quantitative terms provides an indispensable tool in correctly appraising the trend of economic developments.

As a guide to the near-term prospects, this article sets forth a quantitative evaluation of the general economic tendencies during the remainder of 1945, with indications of the position at the year-end and its implications on the direction of economic activity during 1946.

These projections are not intended to be predictions in the sense that analysts have a special insight into the future. Rather they are to be thought of as a series of judgments based on current available information on government and business plans and on a knowledge of the interrelated effects of economic factors as shown by past experience.

Basic Economic Problems

The ending of the war in Europe in May highlighted two basic economic problems. First, the necessity for constantly reviewing the war production program and tailoring it to the material needs for prosecuting a speedy and successful campaign against Japan. And, second, allocating the resources which are freed from war use for the production of civilian goods. The speed and the manner with which these two problems are solved will shape the trend and character of our national production for many months to come.

At the present time the war program is not firm. In recent months downward revisions have characterized the changes in the program and a degree of firmness cannot be had in its composition and size until the armed services have completely surveyed and determined their needs for the war in the Pacific. As a consequence, the reconversion signals which industry has been given by the government so far have been spotty and uncertain in their effects. For the same reasons consumers are confused as to the prospects for new civilian goods.

These uncertainties, however, are not particularly important in an evaluation of the trend for the remainder of the year. Only a quick acknowledgment by the Japanese government that the time for unconditional surrender was at hand would alter the general future; in that case, of course, the decline in activity would be accelerated beyond that outlined in this article.

War Expenditures

The dominant factor in the economic picture is the volume of Government war expenditures. With the trimming of these outlays to the demands of one-front war, the question to be answered in evaluating the shift in the national product is how rapidly new private investment and the output of consumption goods in short supply can be expanded.

There is still considerable uncertainty as to the volume of munitions production in the last two quarters of 1945. The latest available munition production schedules (as of June 26th) show declines in procurement from the first quarter of this year of 17 and 26%, respectively, in the third and fourth quarters of 1945. Further scaling down of requirements are certain to appear. We have assumed in these projections that the cutbacks from the first quarter's production level will turn out to be 20 and 30%, respectively, in the third and fourth quarters.

The changes in munitions requirements as we shift our war resources from the European to the Pacific theater of operations are shown in chart 1 and in table 1. It is to be noted that cutbacks in the aircraft and ship components are considerably sharper than in the "other munitions" category.

Table 1.—Munitions Production, 1945
(Index, 1st quarter 1945=100)

	Total	Aircraft	Ships	Other munitions
First quarter	100	100	100	100
Second quarter	96	96	88	98
Third quarter	80	72	74	85
Fourth quarter	70	65	53	77
December	66	62	40	76

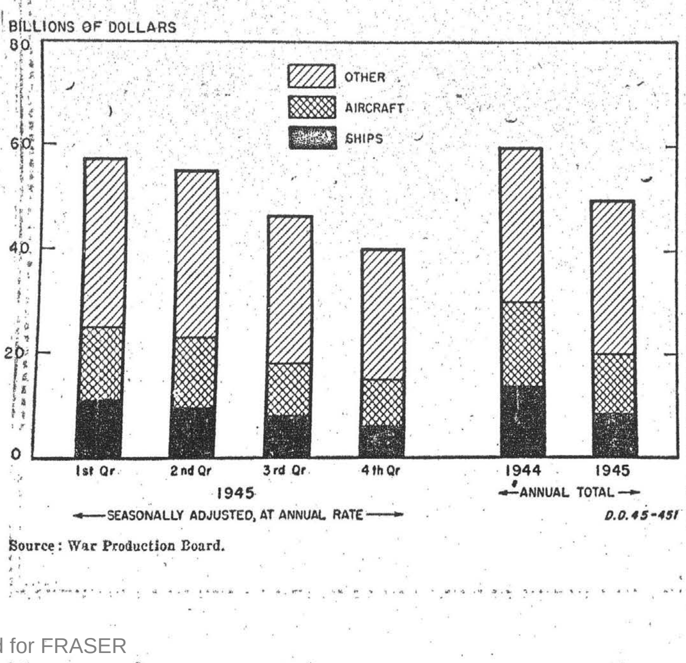
Source: U. S. Department of Commerce and War Production Board.

Our recent victories in Okinawa and Iwo Jima, providing bases close to the Japanese homeland, permitted cancellation of a substantial part of the super-bomber program, as operations can now utilize the fleet of shorter-ranged Flying Fortresses and Liberators. Sharp cutbacks were also found feasible in most of our new fighter models now in the experiment stage.

The decline of about 60% in the ship program by the end of this year from the first quarter rate is weighted heavily by a drop of almost 80% in Maritime vessel construction. Combat ships, too, will be sharply curtailed—but ship repair and maintenance is scheduled to increase.

In the other munitions group, extremely sharp decreases in the production of combat vehicles, trucks, and guns, are somewhat obscured by the relatively stable scheduled output of communication equipment, ammunition, and other equipment and supplies.

Chart 1.—Munitions Production
(In August 1943 Standard Prices)



Source: War Production Board.

Government war expenditures for non-munition items are expected to decline by about 10% by the end of 1945—a rate much less than the cut in munitions. This decline will occur chiefly in the outlays for pay, travel and subsistence for the Army which will release about three-quarters of a million soldiers by the year end. Large outlays for foreign relief and rehabilitation plus those involved in the redeployment of our fighting men preclude any sharp reduction in this category.

To sum up, as a result of the defeat of Germany, Government war outlays are expected to be reduced from a peak annual rate of about 87 billion dollars in the first half of this year to a rate of around 65 billion dollars for the fourth quarter, getting down to a lower rate by the end of the quarter. Even with this reduction the Government deficit will continue very large.

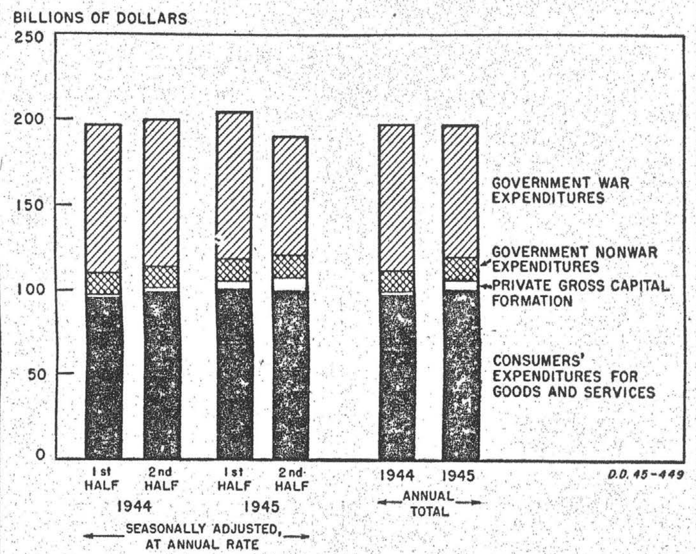
The volume of war expenditures in subsequent periods is, of course, bound to military events. In every likelihood, however, the downward trend evident in 1945 will continue, with only slight retardation until the complete cessation of all hostilities.

Gross National Product

The prosecution of a war requires the most intensive utilization of a Nation's resources. The lengthening of the hours worked per week in nonagricultural industries from an average of 41 prewar to the current average of 45, the abnormal addition of over 7,000,000 persons to the labor force during the war period, and the almost continuous capacity operations of our industrial plants are indicative of the degree to which the resources of this Nation have been mobilized.

This mobilization for war was reflected in three basic changes which have characterized the economy since Pearl Harbor: (1) Sharp increases in the rate of total Government outlays for goods and services, reaching an annual rate of 100 billion dollars in the first half of this year; (2) sharp declines in private investment outlays from the record annual rate of expenditures of 20 billion dollars for gross capital formation in the second half of 1941 to only 4 billion in the first half of this year; and (3) a steady rise in the dollar amount of consumer expenditures which reached an annual rate of 104 billion in the first quarter of this year. Recent changes are shown in chart 2.

Chart 2.—Gross National Product



Source: U. S. Department of Commerce.

These trends are the consequences of the war economy. However, with the military situation such that full mobilization of the Nation's resources is no longer necessary, they must inevitably reverse themselves. This reversal in the direction of the peacetime proportions of the components of the gross national product cannot, of course, get fully underway until complete victory is won.

Thus, the fact that we are prosecuting a major war in the Pacific simply means that these changes will be more gradual than would have been the case if all fighting had ended. If the end of all hostilities should come sooner than expected—for instance, sometime this year—deflationary tendencies will become serious. In these projections it has been assumed as the more probable eventuality that the Japanese war will continue into next year. All Government programming is, of course, on that basis.

As the liquidation of war requirements becomes more pronounced, two divergent tendencies will become apparent. The first will be the attempt on the part of producers and consumers to replenish their holdings of scarce goods, such as producers' plant and equipment, housing, and many types of consumer goods. The second tendency will be the decline in demand for goods now in plentiful supply as the Federal Government's withdrawal from the market results in contracting incomes.

In the first half of this year the gross national product was at an annual rate of 206 billion dollars, two-thirds more than in 1940 after allowance for the price advance. This represents the top for the war period. The decline from the first to the second half of this year is estimated at about 7%, to about 192 billion dollars, at seasonally adjusted annual rates. The gross national product for 1945 as a whole, therefore, is expected to be about equal to the 1944 total of 199 billion dollars. Table 2 shows the expected changes in the gross national products by categories.

The only major change between the two halves of the year is in government expenditures, offset in part by increased private expenditures for capital goods.

Government expenditures in total will not go down so sharply as war expenditures, since Federal nonwar and state and local expenditures will increase from now on because of larger Federal interest payments and a resumption of government outlays for deferred public works.

Most important will be the changes in housing, business investment in plant and equipment, inventories, net foreign balance and consumer durables, since their expansion will determine the extent to which the gap created by the reduction in war expenditures will be filled.

Private Gross Capital Formation Outlook

For some time, the rate of capital expenditures will be dependent upon the ability of industry to meet the needs for housing and for business capital goods. In other words, the problem will be one of supply of wanted goods. In addition to problems of conversion of plant and equipment, continued difficulties in securing materials, such as steel, lumber, and paper, will delay the expansion in the output of goods for civilian use.

Despite the limitation on output, total expenditures on private gross capital formation in the second half of the year are expected to exceed those in the first half by two-thirds, although this would still be only one-third of the peak rate of 1941.

Even in the face of the huge demand existing for private housing and plant, the increase in construction expenditures will be limited this year. Shortages of materials, the continued needs by the armed forces for other resources utilized in such projects and the difficulty of getting plans out of the "blue print" stage so late in the year, are the factors that will prevent a substantial increase in private construction activity.

These factors will also limit the volume of expenditures on producers' equipment. The total of construction expenditures (other than housing) and producers' durable goods is expected to increase from an annual rate of 6 billion dollars to about 7.5 billion by the end of the year, of which about 3 billion represent outlays by manufacturers. More would be spent in the absence of supply limitations.

A significant shift in the trend of inventories is indicated in view of the current deficiencies in business inventories relative to the volume of business being done. For over a year manufacturers, particularly those engaged in war production have been liquidating their raw materials and goods in process stocks. This liquidation was halted in recent months.

Further reduction in inventories of war goods accompanying contract cancellations will be more than offset by the building up of inventories of civilian goods including transferring war inventories for civilian use. Thus in the second half of this year the value of business inventories is expected to increase on a net basis by one-half billion dollars and the accumulation will be more rapid in 1946.

The final component of gross

***Table 2.—Gross National Product or Expenditure**
(Billions of dollars)

	1944 First half	1944 Second half	1945 First half	1945 Second half	Year 1944	Year 1945
	Seasonally adjusted annual rates					
Total	197.4	200.1	206.0	192.0	198.7	199.0
Government expenditures for goods and services	100.6	98.1	100.5	84.5	99.4	92.5
Federal government	93.2	90.7	93.2	77.0	91.9	85.0
War	87.4	85.2	87.0	70.0	86.3	78.5
Nonwar	5.8	5.5	6.3	7.0	5.6	6.6
State and local government	7.4	7.4	7.4	7.5	7.4	7.5
Private gross capital formation	1.2	2.3	4.5	7.5	1.8	6.0
Construction	1.6	1.6	2.0	2.3	1.6	2.2
Producers' durable equipment	3.8	4.2	4.4	5.3	4.0	4.8
Net change in business inventories	—1.6	—1.9	— .7	.5	—1.7	— .1
Net exports of goods and services	—2.7	—1.5	—1.2	— .7	—2.1	—1.0
Consumers' goods and services	95.7	99.6	101.0	100.0	97.6	100.5
Durable goods	6.5	6.9	7.2	8.0	6.7	7.6
Nondurable goods	58.6	61.4	62.0	60.0	60.0	61.0
Services	30.6	31.3	31.8	32.0	30.9	31.9

*Detail will not necessarily add to totals because of rounding.

Source: U. S. Department of Commerce.

capital formation is the net change in foreign balance. The net exports of goods and services on current account are estimated at a debit of 1.2 billion dollars (at annual rates) in the first half of this year. Since the adjusted* cash exports and imports were almost exactly in balance, the debit reflects the net Government transactions abroad.

The return of a sizeable number of our troops from the European theater to this country for redeployment or discharge will result in a decline in the net military disbursements abroad in the last half of 1945. The trade balance is expected to be slightly favorable in the latter part of 1945, although the extremely tight shipping situation during this period makes any large changes in the balance unlikely. As a result of these shifts the net foreign balance will show a smaller debit in the second half of the year.

Consumer Expenditures

The volume of consumer expenditures for goods and services in the remaining months of this year will be conditioned almost entirely by the available supplies. Only in certain limited areas such as the more expensive items of food and clothing and goods now in plentiful supply will demand be an influencing factor in limiting purchases. There is no question, however, that for the bulk of the consumption items demand will exceed the supply.

Two distinct tendencies can be expected to develop in the expenditures for durable goods and for nondurable goods. Expenditures for durable goods will increase as new supplies of scarce commodities become available. In the second half of this year, however, the increase in these expenditures will be relatively small. The total output of new passenger automobiles this year, for example, will represent a very small fraction of peacetime production. More electrical household appliances and furniture will be available but these items will not be produced in significant quantities until 1946. Consequently, while consumer durable goods expenditures will increase during the second half of the year the gain is not expected to be more than 10%.

The aggregate dollar expenditures on nondurable goods will vary in accordance with consumer incomes. This is in conformity with past experience. The decline in the gross national product during the second half of the year will be reflected in reduced incomes received by individuals. A cut in incomes of consumers will result in a decrease in those nondurables that are in plentiful supply or are high-priced. Demand for other types of nondurables will continue strong. In total, only a moderate decline of about 3% is expected in the second half of the year from the yearly rate of 62 billion dollars in the first half.

Consumer expenditures for services, on the other hand, are expected to continue at about the same rate as in the first half of the year since the demand for such services as laundry, transportation, and domestic help will exceed the supply for some time to come.

Thus, the retail and service trades can be expected to experience a volume of business in the second half of this year which will be almost as large as in the first half.

Two important factors which will affect consumer expenditures are the trend in retail prices and the prospective shift from purchases of higher-priced goods. No attempt has been made in this study to analyze price movements in detail. However, no significant change is expected in the general price level from the current position. This does not imply stability of all prices but rather that the price changes which occur will be almost offsetting.

During the war, the shift toward the purchase of higher-priced goods or trading-up has been responsible for a considerable amount of fluff in the dollar expenditures of consumers. As incomes decline and as lower-priced goods become available consumers will trade down to prewar patterns. It is this latter development which will account for a large part of the expected decline in the dollar expenditures, particularly for nondurable goods.

National Income

Since the national income essentially reflects the accounts on the income side of the national ledger, its behavior in the two halves of this year will parallel that of the gross national expenditures.

However, because national income is measured exclusive of Federal corporate income taxes, the extent of the decline will be cushioned during the second half of the year. This is due to the fact that the major part of the temporary losses that will be realized by those corporations undergoing extensive reconversion will be reflected in reduced Federal excess profit taxes.

National income in the first half of this year reached an estimated annual rate of 166 billion dollars. The annual rate for the second half of the year is expected to fall to 155 billion dollars, being less than this at the year-end.

It is estimated that wages and salaries will fall about 7% from the first to second half of 1945. About half of this drop is attributable to increased unemployment, while the remainder will reflect the elimination of part of the overtime pay, and the movement out of high income war occupations.

The major decline in the total wages and salaries will be in manufacturers' pay rolls, while slight declines in wage payments in the Federal Government, mining and transportation are expected to be offset by increases in construction, trade, and the service industries.

The drop in the expected volume of farm marketings will find reflection in the net income of farm proprietors. In view of the decline in production, corporate profits in the second half of the year are expected to drop although their volume will continue to exceed that of the most prosperous peacetime years. The remaining share of the national income, interest and net rents, will be moderately higher in the second half as the Federal Government continues to operate at a deficit and thereby increases its debt charges, while net rents and royalties will be fairly well maintained.

Disposition of Income

The flow of income payments to individuals is expected to be reduced by about 9 billion dollars (at annual rates) between the two halves of this year—some 2 billion dollars less than the decline in the national income. This divergence is due chiefly to the increasing volume of mustering out pay to discharged soldiers, larger unemployment benefit payments, and to the fact that reduced corporate income will not be reflected in a corresponding shrinkage in dividend payments.

The decline in the disposable income of individuals from the first to second 6 months of this year will also benefit from a cushioning factor. This factor is the anticipated sharp reduction in personal taxes between the two periods. This decrease will be caused more by the nonrecurring exceptionally high payments in the early months of 1945, than to the reduced liabilities concomitant with lowered incomes.

For the year as a whole, income payments to individuals will be slightly more than in 1944, but higher tax payments will leave them with the same disposable income.

Net savings of individuals for the year will be less because they will spend about 3 billion dollars more out of about the same disposable income (see table 4).

Changes in the Labor Force

Throughout the two-front war phase, the major emphasis in the utilization of the labor force was channeling our unemployed, nonworkers, and workers in less-essential civilian pursuits into the munition plants and armed services. The urgency of the war production program necessitated the implementation of this policy by a sharp increase in the length of the workweek.

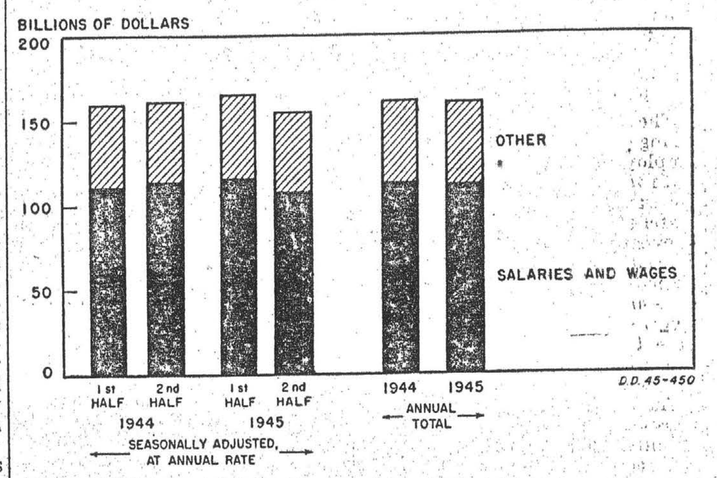
The economic readjustments following victory in Europe require a reversal of this policy. The size of our armed forces is above that needed for the Japanese war. Some of our heavy manufacturing industries have been expanded far beyond the productive capacity that can be utilized in the civilian market. Other war industries require extensive and time-consuming reconversion before they can be adapted to peacetime needs.

On the other side of the ledger, expansion is made possible in those industries which had been shunted aside by the full-war economy. Long deferred demand for housing and other construction can now become effective. Trade and service establishments must gradually restore the efficient services and courtesies to which consumers had become accustomed in prewar years. The accelerated downward trend in agricultural employment will be somewhat abated. And it must be remembered that a pervading factor in all civilian industries will be the gradual reduction in hours worked per week.

However, on balance, these changes (shown in chart 4) will result in lowered employment,

*Adjusted for transactions (such as cash reimbursable lend-lease) not recorded as cash exports or imports in the official U. S. Trade statistics.

Chart 3.—National Income



Source: U. S. Department of Commerce.

***Table 3.—National Income by Distributive Shares**
(Billions of dollars)

	1944	1945 First half (Seasonally adjusted annual rates)	1945 Second half (Seasonally adjusted annual rates)	1945 Year
Total	160.7	166.0	155.0	160.5
Total compensation of employees	116.0	119.0	111.0	115.0
Salaries and wages	112.8	115.8	108.0	111.9
Supplements	3.2	3.2	3.1	3.1
Net income of proprietors	24.1	25.5	24.3	25.0
Agriculture	11.8	12.7	11.5	12.1
Nonagricultural	12.3	12.8	12.7	12.8
Interest and net rents	10.6	11.4	11.5	11.5
Net corporate profits	9.9	10.0	8.0	9.0
Dividends	4.5	4.6	4.5	4.5
Savings	5.4	5.4	3.5	4.5

*Detail will not necessarily add to totals due to rounding.
Source: U. S. Department of Commerce.

***Table 4.—Disposition of National Income**
(Billions of dollars)

	1944	1945 First half (Seasonally adjusted annual rates)	1945 Second half (Seasonally adjusted annual rates)	1945 Year
National Income	160.7	166.0	155.0	160.5
Add: Transfer payments	5.3	6.0	6.7	6.3
Less: Corporate savings	5.4	5.4	4.5	5.0
Contributions to social insurance funds	3.9	3.9	3.7	3.8
Equals: Income payments to individuals	156.8	162.7	153.5	158.0
Less: Personal taxes and nontax payments	19.3	23.0	18.0	20.5
Equals: Disposable income of individuals	137.5	139.6	135.5	137.5
Less: Consumer expenditures	97.6	101.0	100.0	100.5
Equals: Net savings of individuals	39.9	38.5	35.5	37.0

*Detail will not necessarily add to totals due to rounding.
Source: U. S. Department of Commerce.

(Continued on page 638)

Reconversion Not Fast Enough

(Continued from page 618)

business depression will set in with the result that both the civilian economy and the war effort will be severely impaired.

Moreover, such a state of affairs might cut up the whole social fabric of our society. It would create a depression psychology which in turn produces an inertia that stifles progress and threatens stability both at home and abroad.

In addition, any continued curtailment of civilian production now can very easily mean inflation. So far, prices have been fairly well stabilized. There has been no wild inflationary spiral though all of us are fully aware that the cost of living has gone up. Moreover, this rise has caused considerable hardship in many individual cases.

If we should now continue in a period of scarcity of civilian goods, the pinch would grow much tighter. A bigger proportion of pre-war goods would wear out. And the temptation to buy would be greatly increased. We can be almost certain that we cannot continue to stabilize the cost of living unless reasonable amounts of civilian goods are made available soon.

Also, we must remember that a prolonged drought in civilian production brings widespread dislocation and often ruin upon the trades and services who are dependent upon consumer goods. The local tradesman, the wholesaler and the jobber do enormous business and once you impair or destroy their facilities for fast and cheap distribution, it is very hard to build them up again.

It is imperative that we achieve a coordinated balance so as to dovetail Pacific war production with our production for civilian use.

In this connection, our Committee has found that the reconversion job to date has not moved nearly fast enough. Planning has been delayed. Cutbacks have not been expedited. Sufficient raw materials have not been furnished. Industry has not had enough information to make plans. And manpower has been lacking, even though in many instances a few thousand workers would fill the particular need.

Government has Failed to Help

In addition, the Government has failed to give the help that business and industry require to reconvert quickly. Too often problems have remained unsolved because this Government agency or that one has gotten all tangled up in red tape or in jurisdictional lines of authority. That is why the Committee has strongly recommended that the Office of War Mobilization and Reconversion take direct control over the Government's war agencies and exercise positive supervision. Only by such centralized authority can we soften the impact of the economic consequences that are certain to ensue. War mobilization and reconversion require an active executive, not an umpire.

Let me say again—if we don't get a move on, we are heading for serious trouble, particularly if the war in the Pacific ends suddenly. If that should happen, and we all hope and pray that it will, we would be largely unprepared to cope effectively with the many home economy problems. Reconversion would not have progressed far enough to absorb the manpower that will suddenly be released. Government work programs, designed to cushion the shock, would not have been established. We would probably experience widespread unemployment.

Remove Wartime Restrictions

Moreover, we know from long experience, that America prospers best when hampered least. We must not impose upon American industry and American labor any unnecessary plan loaded up with complicated rules and complex regulations. Those controls and restrictions now in force should be lifted just as soon as possible without injuring the war production effort. We should do this because controls have a tendency to become permanent and if that happens we will have the very form of government we are fighting to destroy.

Fundamentally, it amounts to this: One—we must not prevent the use of surplus commodities. Two—we must refrain from setting up unnecessary regulations and controls which will hamper reconversion in the early and difficult stages. Three—we must avoid any plan for regimenting peacetime production in the future.

If we plan well and plan intelligently, the new production can flow out in a natural course, and industry can readily adapt itself to the progress of the war. By artificially stemming the flow, even when it is only a small stream, we only invite delay and difficulties.

In this same connection, I would like to stress the necessity of making full provision for including small and intermediate business in the reconversion program. Small business has already suffered greatly from the war program. And yet small business employs about 45% of the nation's labor force. Therefore, it is essential that small businesses be allowed to manufacture civilian items as soon as possible, if they are located in areas where the labor supply is not tight, if there are no war contracts for them to take and if materials are in free supply.

The industrial future of the United States depends upon her ability to produce efficiently and produce in quantity. Our war effort requires a strong economy. However, our future way of life also must be based on an economy of plenty.

Allow me to read to you a section of the Committee's report regarding the outlook for the immediate future:

"The automobile industry, which was devoted to the production of airplanes, tanks and heavy equipment, has begun reconversion to produce a maximum of 241,916 passenger automobiles in 1945. It is unlikely that very many of these units will be completed until well into the fourth quarter of this year. The industry is of the opinion that progress thus far has been slowed in many cases by the failure of Government agencies to coordinate with the program approved by the War Production Board, as well as with the very slow start on preparation for reconversion. . . . The industry is unable to plan full reconversion unless it knows what materials will be freed by additional cutbacks in the military program.

"The mechanical refrigerator industry has been largely devoted to the manufacture of machine guns, gun turrets, gyroscopes, propellers, carburetors, and other light complex items. Much of its work has been completed. Although 265,000 refrigerators have been authorized for the third quarter of 1945, production will be limited by the availability of electrical equipment, protective coatings, and sheet steel. The units produced in 1945 probably will be used to fulfill the demands of essential users such as hospitals, and it is unlikely that many refrigerators will be available through normal trade channels until early in 1946 to satisfy the estimated private home demand of more than 5,000,000.

"Typewriter manufacturers have in the main produced bomb sights, fuses, rifles, pistols, fire control components, and similar items. It is expected that this industry will produce 100,000 typewriters during the third quarter of 1945.

"The vacuum cleaner industry has been devoted to the produc-

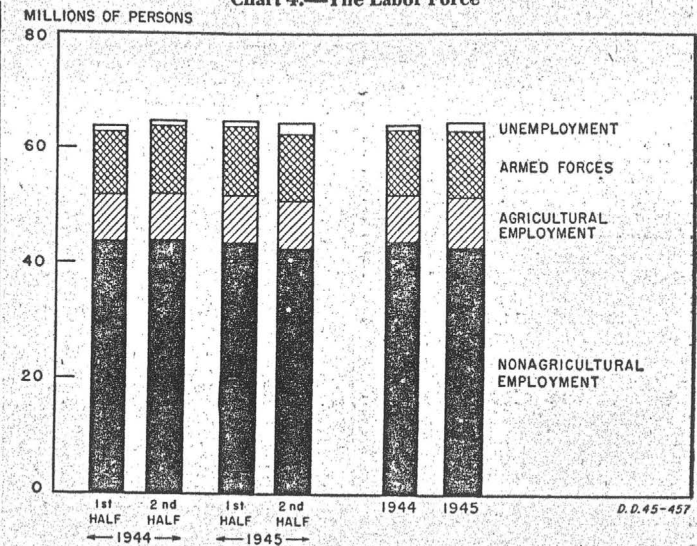
(Continued on page 639)

Nat'l Economic Activity in 1945

(Continued from page 637)

both civilian and military, and increased unemployment. The actual volume of unemployment will be difficult to measure because of the large number of workers now in the labor force who will eventually withdraw. The decline in employment in

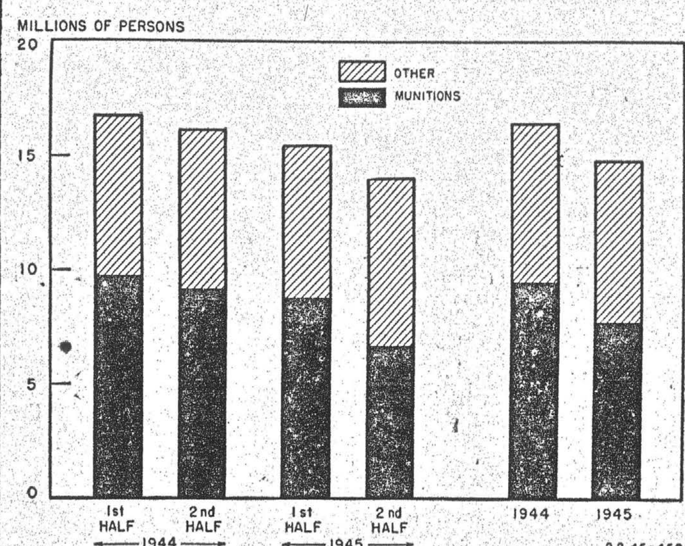
Chart 4.—The Labor Force [1]



[1] Data are monthly averages for all periods and include all persons 14 years of age and over, but do not include institutional population. Agricultural employment for the half-year periods is adjusted for seasonal variation.

Sources: U. S. Department of Commerce, except data for the "Armed forces" through May 1945 which are from the U. S. Department of Labor.

Chart 5.—Employees in All Manufacturing Industries [1]



[1] Data are monthly averages for all periods and include all full-time and part-time wage earners and salaried workers who are employed during the pay period ending nearest the 15th of the month. "Munitions" includes all metal-using industries, the rubber industry, selected chemical industries, and Government-operated navy yards and manufacturing arsenals.

Sources: U. S. Department of Labor through May 1945; thereafter, estimates of the U. S. Department of Commerce.

war manufacturing industries from the first to second half of this year is indicated in chart 5.

To sum up, unemployment will rise until industry gets well underway on reconversion to peacetime products and the supernormal entries into the wartime labor force have withdrawn. The decline in employment by the end of this year, however, will be relatively less than the fall in income. The problem of unemployment, however, will become somewhat more serious after VJ-day when the rate of demobilization of the armed forces is stepped up.

Conclusion

Although some deflation in production and income will occur during the last 6 months of this year, business conditions and profits will continue favorable. This year as a whole will show about the same totals of product and income, with little change in the relative income shares and no striking changes in the distribution of the final product. The trend during the year will, however, have been reversed—from rising to declining. How far the decline will carry will not be answered this year, and probably not in 1946. The major policy problem confronting business and government, related to the volume of output and income, is how reconversion can be speeded. More goods for civilians is the answer to the reemployment problem.

Heads Business Bureau

The directors of the Better Business Bureau of New York City have elected Sheldon R. Coons, business consultant, as its President, and Wm. M. Holmes, President of Bonwit Teller, Inc., and Edwin S. Friendly, Vice-President and General Manager of the New York "Sun," as Vice-Presidents. Spencer Greason, Treasurer and General Manager of Brooks Brothers, was re-elected Treasurer of the Bureau. H. J. Kenner was reappointed General Manger and William P. Collins was reappointed Recording Secretary.

Mr. Coons has been identified prominently with the work of the Better Business Bureau since its founding in 1922, serving as a member of its board and executive committee since 1928 during which time he was vice-president of Gimbel Brothers and of the Lord & Thomas advertising agency. Now consultant to leading industries, Mr. Coons is especially qualified to lead the Bureau in the enlarge program which it has recently announced.

Reconversion Not Fast Enough

(Continued from page 638)

tion of aircraft parts, electrical devices, gas masks, and miscellaneous items. This industry should reconvert relatively swiftly. However, it is not likely that much of the domestic demands for more than 4,000,000 cleaners will be met before 1946."

I could cite other products but these examples are enough to show that although a beginning has been made, we must raise our reconversion sights to much higher levels. And I don't mean this as a general proposition only. Reconversion must be spelled out in complete detail.

Otherwise, we will find ourselves in a full peacetime period without having successfully met the problems of the one-war, or let us call it, the hybrid economy period. For example, the various responsible war agencies must pool their efforts to permit the release from the armed forces of a limited number of men whose services are essential to the prompt reconversion of industry. Such men are critically needed in lumbering, transportation, coal mining, cotton textiles and steel. The point is that in these categories men are needed, not next month or next year, but right now. And they can be provided, but only if clear, simple policies are formulated and speedily carried out. If we don't get the extra railroad help required, the transportation system is in danger of breaking down. If lumber men, coal miners, textile and steel workers are not provided in sufficient numbers, during this preliminary reconversion period, we simply will not be ready to handle the tremendous release of war workers and soldiers when hostilities cease, because the various industries will not have progressed far enough to absorb such large numbers. On the other hand, by stockpiling raw materials and semi-finished products and producing within the full limits of a one-war economy, we can absorb the post-V-J Day demobilization shock and move from there into a period of great prosperity and stability.

Army Can Release the Manpower

The Army has a great reservoir of men which it is very slow in releasing. Industry requires only a relatively insignificant portion of this manpower. But what it needs, it needs urgently. With their help, enough additional sheet steel could be made to fill all the immediate needs of reconverted industry. For example, 2,000 more trained steel workers would make all the difference. We must utilize our labor skills to the fullest because the future of our veterans and our workers must be protected.

We have only to recall our achievements in the past few years to realize that the job ahead, although difficult, is made to the measure of the American people. No matter how we look at it, our war production program has been a tremendous success. History has never before recorded such an effort.

For example, by the end of 1944 we had produced 250,000 airplanes, nearly 57,000 naval vessels, 85,000 tanks, nearly 3,000,000 tons of ground artillery ammunition, and 37,000,000,000 rounds of small arms ammunition. This only tells a part of the story.

In abundance, we have poured out supplies of food and weapons not only to our own Army and Navy but to those of our allies. Great sacrifices have been made. However, from a material standpoint, we have suffered no privations, nor up to this time, has our own home economy been seriously impaired. We have been able to maintain a good standard of living at home. We can all be proud of this accomplishment. Yet we cannot relax our efforts. We must produce for peace as we are producing for war.

Natural Resources Threatened

In this connection I would like to stress another observation made in our Committee's report. We have noted that our natural resources have been seriously depleted by this war. Competent authorities have cautioned that we cannot "oil another war". Our known continental supply of crude oil will be exhausted in as little as 12 years at the expected rate of peacetime consumption. Moreover, the rate of new discoveries is decreasing. Our reserves of high-grade iron ore could run out in 8 years at the present rate of use. We have been cutting lumber faster than its natural rate of re-growth.

These are only a few of the precious raw materials that have been consumed. There are many others, like crude rubber and tin, which are not obtainable in this country and have to be stockpiled. We must see to it that we build up stocks of such strategic material which we cannot obtain freely here. And we must stock enough so that we will never suffer again for lack of them.

Let us also bear in mind that we have built up enormous surplus supplies abroad. And yet, to date, we have not made the most of the great prestige overseas which we have acquired as a result of our huge outpouring of production. Our surpluses abroad and the immense potential of the credit which we have yet to extend to other nations comprise a force for good which we have not even begun to utilize.

We can no longer afford to expend our dwindling raw material resources or the products of our factories except to accomplish specific aims. We are fighting for world peace, and certainly to help achieve that goal we must be efficient in the administration of all our activities abroad. Because of this, our Committee has strongly urged that the various civilian agencies in Washington, now dealing with foreign governments and peoples, be firmly integrated under the Secretary of State.

Let us remember that in less than 50 years we have been engaged in three major wars. We have won each time primarily because we were able to outproduce the enemy. However, each time we have been poorly prepared when war came upon us. And each time we have been slow in getting started. Only by our tremendous capacity and by the industrial momentum we were able to generate could we carry through to victory. However, can we be sure that we will be as fortunate again? If there is a next time we may very well be the first target. Our future national security depends upon an adequate peacetime program of preparation against attack. And this involves many things.

Need More Technological Research

Technological research, for example, has become more and more important. New inventions and new weapons, formerly considered fantastic, have not only become realities but they have frequently meant the difference between defeat and victory. We have led the world in such scientific pursuits, yet all of us shudder when we think of the improved and advanced weapons of destruction which the Nazis had under development at the time of their downfall.

Speaking for myself I would like to mention that a government-sponsored survey, conducted in 1944 by the National Roster of Scientific and Specialized Personnel estimated industry's accumulated demand for scientific and technological personnel at about 40,000 by June of 1944. This is about the number normally graduated from American colleges in about 18 months. Thus, industry was about one and one-half years behind at that time in recruiting its forces to meet new demands and in recovering its losses to the armed forces.

Another survey discloses that the demand of post-war personnel for industrial laboratories will be far above 1940 levels, varying from 60% for the larger concerns to 250% for the smaller ones.

In the field of medicine, approximately one-third of the nation's 180,000 doctors are in the armed forces. Moreover, it is estimated that only about 16,000 additional physicians will be available to meet a need estimated at 35,000. A similar situation exists in the dentistry profession. Instead of the normal 2,000 enrollment, this year will see fewer than 400 starting dental education.

In engineering, training is only about 18% of normal. In the fields of physics and chemistry, the number taking graduate training has fallen off by about 25% since 1941.

In the future, we must compensate for these losses. Other countries have been more sparing in their technological and scientific students. As a matter of fact, even in our own country, enrollment of foreign students in our technological colleges is far above prewar levels. We must not only encourage more and more of our young men to enter these fields, we must make it more attractive for them to do so.

I could cite many other examples showing that our various resources of strength have been seriously depleted.

Our strongest argument for world peace is an invincible national defense organized and administered without thought or sign of aggression. We must do this because our first line of defense lies in making it impossible for aggressor nations to prepare for war.

In the meantime, we must take stock of our position. I have tried tonight to point to the serious problems ahead. They must be met head on and solved.

Our economy has proved that with the proper assistance from the Government, it can support a great Army and Navy without devoting as much of itself to war production as is necessary in less efficient countries.

We can readily and properly support the military establishment and at the same time greatly increase our vigor at home.

America has a great future. We must square up to the job of securing it.

Truman Signs Bretton Woods, Export-Import and United Nations Food Legislation

The signing by President Truman of the legislation enacted by Congress providing for the so-called Bretton Woods Monetary Plan, the bill increasing the lending power of the Export-Import Bank, and the measure authorizing participation by the United States in a United Nations Food and Agriculture Organization, was made known by the White House on Aug. 5. The bills were approved by the President while he was returning from the Big Three conference at Potsdam (Berlin). The Bretton Woods bill would provide for nearly $6,000,000,000 for a World Bank and an International Fund designed to promote post-war trade and stabilize exchange rates in accordance with an agreement worked out by 44 nations at Bretton Woods, N. H., last summer. The other measures would:

Increase from $700,000,000 to $3,500,000,000 the lending capacity of the Export-Import Bank to help with reconstruction when the fighting stops.

Enable the United States to join a United Nations Food and Agriculture Organization, with annual dues expected to run up to $1,125,000, which will try to put the world on a better diet.

Associated Press advices from Washington, Aug. 5, added:

The Administration backed all three measures as essential to putting strong economic and social props under a United Nations league intended to maintain lasting peace.

The United States was the first country to ratify the Bretton Woods plan for a $9,100,000,000 bank for reconstruction and development, and an $8,800,000,000 Stabilization Fund.

They will begin operating when countries contributing 65% of the total fund have ratified, and that may take a year or more.

This country will hand over $3,175,000,000 to the Bank and invest $2,750,000,000 in the Stabilization Fund.

The Bank will make loans directly to finance productive enterprises, particularly in war-wrecked areas, and guarantee private loans for such purposes.

From the Stabilization Fund, member countries could buy currency of other nations to pay for imports. But the members will have to fix the value of their own currencies in terms of gold and not change it more than 10% unless the Fund approves.

The extra lending authority for the Export-Import Bank will be used to stimulate foreign trade and reconstruction after lend-lease stops and before the international bank opens for business.

The approval by Congress of the Bretton Woods plan was noted in our issue of July 26, page 405. The World Food Plan was referred to on page 443 of the July 26 issue, while a reference to the Export-Import Bank appeared in these columns July 19, page 331.

Public Utility Securities

(Continued from page 622)

refunding savings and reduction in Federal taxes when EPT are eliminated. The first preferred on a $4 dividend basis (replacing the present $5) would require $1,400,000 for dividends, leaving a balance of equity earnings for Niagara Hudson Power of $7,000,000 (assuming that the net income reservation amounting to $1,476,000 last year can be eliminated in the recapitalization program). Since BNE would represent a sound operating system, earnings could probably be capitalized by a multiplier of 15, making a value of $105,000,000, or $42,000,000 net gain for Niagara after allowing for its $63,000,000 added investment. This would seem to be an excellent result so far as Niagara is concerned, since its earnings equity in the old company ranged around $1-$3,500,000 in the prewar period 1937-40.

Mutual Funds

New Funds

National Securities & Research Corp. has announced two new **National Securities Series.** They are **Selected Groups Series** and **Speculative Series** and the offering on them will be opened August 15 at an initial price of $5.00 per share for each Series.

Selected Groups Series is something new in the investment company field. The portfolio will consist of issues of not less than three nor more than five of the industry groups represented in the eligible list which contains a total of 12 industry groups with 448 issues. Selected for the initial portfolio are four industry groups and 49 issues, the groups being automotive, building, household and office equipment and railroad equipment.

Two important steps will be followed in managing the investments of this series. First, investments will be confined to those industry groups which appear most attractive, and second, the selection of individual issues within each group will be limited to those securities which appear to offer better-than-average market possibilities. In this series "opportunity for appreciation is the primary objective."

Speculative Series has an eligible list containing 14 bonds, 25 preferred stocks and 78 common stocks. All of the issues in the list have been selected for a high return and that is the primary objective of this series. The initial portfolio will contain 7 preferred stocks and 39 common stocks with an estimated current return of 8%.

Both Series will pay dividends quarterly and a special dealer concession of 7% will be in effect from the initial offering date, August 15, 1945 to close of business October 15, 1945.

* * *

We have received Prospectuses on the two new funds sponsored by **Investors Syndicate** of Minneapolis. These new funds are **Investors Selective Fund, Inc.** and **Investors Stock Fund, Inc.** Initial offering price on each was $10.70 per share.

Investors Stock Fund provides an investment in a widely diversified group of securities consisting primarily of common and preferred stocks with the emphasis on appreciation possibilities. Investors Selective Fund, on the other hand, confines its holdings primarily to bonds and preferred stocks with the greater emphasis on stability of income and principal.

"Your Investment"

Our hat is off to **Lord, Abbett** for an organization booklet that is different. Entitled, "Your Investment," it is written and illustrated for the investor who already holds the shares of a Lord-Abbett fund. But it will make interesting reading for anyone who has money to invest.

This booklet strikes a fresh, clean, dignified note which cannot help but impress the reader with the importance and character of the present day investment company field.

Post-war Outlook for Securities

Keystone Corp. devotes the current issue of **Keynotes** to an analysis of certain factors which "appear important in evaluating the post-war outlook for securities." Five factors are cited in the following order:

1. The accumulated demand for goods.
2. The enormous reserve of purchasing power.
3. The low level of interest rates.
4. Likely removal of the excess profits tax after V-J Day.
5. Possible elimination of double taxation of corporate earnings.

"A high level of business activity would have favorable implications for second-grade bonds as well as for preferred and common stocks."

Factors of Strength in the Rails

Distributors Group lists (a) reduction of fixed charges and (b) potential tax refunds as factors of strength in the securities held by **Railroad Bond Shares** and **Railroad Stock Shares.**

Annual fixed charges of the 11 major railroad systems represented in the bond group have been reduced more than $53 million, or 27% since 1936. Potential tax refunds on 14 leading rail stocks in the stock group would provide average "earnings" of $3.55 per share next year assuming break-even operations. These roads could even go in the red $20.31 per share on average and, after tax refunds, they would still break even.

"These figures merely illustrate factors of strength in the rails—they have no bearing on post-war earning power. Independent estimates for the stocks currently held in Railroad Stock Shares indicate earnings of better than $10 per share on average in the first post-war year."

Regular Income

Vance, Sanders, in the current issue of **Brevits,** writes "It is almost axiomatic that a stream which is fed by many tributaries is less likely to go dry than one that is fed by a single spring. This is, of course, one of the basic reasons why investment companies such as **Massachusetts Investors Trust, Massachusetts Investors Second Fund** and **Boston Fund** have been able to pay regular dividends regardless of business conditions; for they derive their income from many hundreds of different companies."

Inasmuch as these three funds pay quarterly dividends at different periods, an investment in all three would provide income payments in each month except January. A table based on an investment of $5,000 in each of the three funds shows the amount of dividends paid last year. Average monthly income from such an investment would have amounted to $42.94.

Financial Reports

Wellington Fund, Inc.—During the six months ended June 30, 1945 enjoyed record growth. Total assets on that date amounted to $21,085,000 compared with $16,138,000 on December 31, 1944.

Keystone Custodian Funds Series B-1 and Series K-2—Net assets of Series B-1 totaled $3,848,287 on June 30, 1945 as compared with $3,030,264 at the beginning of the year. Net assets of Series K-2 advanced to $6,362,765 from $3,461,527 in the first six months of 1945. As of Aug. 2, 1945 combined assets of the 10 Keystone funds exceeded $135 million.

Investors Mutual, Inc.—Net assets rose from $45,915,241 at the beginning of the year to a new high of $60,083,343 on June 30.

Fundamental Investors, Inc.—Net assets on June 30, 1945 totaled $15,797,154, compared with $12,420,423 at the end of 1944.

Union Trusteed Funds, Inc.—Combined net assets totaled $8,193,733 on June 30, 1945 compared with $6,315,554 at the beginning of the year.

New England Fund—Net assets on June 30, 1945 were $2,913,810, compared with $2,790,229 on December 31, 1944.

Bond Investment Trust of America—Net assets were $4,772,753 on June 30, 1945 compared with $3,789,534 at the year end.

Russell Berg Fund, Inc.—Net assets on June 30, 1945 were $304,427. Public offering of these shares was first made on March 20 of this year.

Mutual Fund Literature

Keystone Corp.—Current data folder for August on **Keystone Custodian Funds.** . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important." . . . **Distributors Group**—Revised folder and portfolio on **Fully Administered Shares;** special month-end price comparison on **Group Securities, Inc.** . . . **Calvin Bullock**—Current issue of Bulletin giving "some characteristics of **Dividend Shares, Inc.**" . . . **National Securities & Research Corp.**—Statistical folders for dealers on **National Speculative Series** and **National Selected Groups Series,** also sales folders for general use on these two new series; Current Information folder covering all National sponsored funds; portfolio memorandum showing changes in all National sponsored funds during July; revised Prospectus on **National Securities Series** dated July 20, 1945; current issue of Investment Timing featuring "The Future of Municipal Bonds" . . . **Lord, Abbett**—Current Investment Bulletins on **Affiliated Fund;** Composite Summary folder for August on Lord-Abbett Sponsored Funds; three new Investment Program leaflets devised to fit different investor requirements and featuring a dividend check each month; revised Prospectus on **American Business Shares** dated July 12, 1945.

Dividends

New York Stocks, Inc.—The following dividends have been declared payable August 25, 1945 to stock of record August 3.

	Distributions Per Share		
Industry Series—	Regular	Extra	Total
Agricultural	$.07	$.10	$.17
Alcohol & Dist.	.11	.00	.11
Automobile	.06	.00	.06
Aviation	.10	.00	.10
Bank Stock	.06	.00	.06
Building Supply	.05	.00	.05
Business Equip.	.10	.00	.10
Chemical	.07	.00	.07
Electrical Equip.	.07	.00	.07
Food	.11	.00	.11
Government Bonds	.00	.00	.00
Insurance Stock	.08	.00	.08
Machinery	.08	.05	.13
Merchandising	.09	.10	.19
Metals	.05	.00	.05
Oil	.10	.20	.30
Public Utility	.03	.10	.13
Railroad	.07	.15	.22
Railroad Equip.	.06	.00	.06
Steel	.07	.00	.07
Tobacco	.10	.00	.10
Divers. Invest. Fund	.19	.00	.19
Divers. Spec. Shares	.05	.00	.05

Lehman Bros. Offers W. T. Grant Preferred

Lehman Brothers headed an underwriting group that offered Aug. 8 150,000 shares of W. T. Grant Co. 3¾% cumulative preferred stock ($100 par) at $100 per share and accrued dividends from July 1. Of the net proceeds, approximately $7,674,331 will be used toward the redemption, on Sept. 17, of all the 348,833¼ shares of outstanding 5% cumulative preferred stock. It is intended that the balance will be added to working capital to be used for various corporate purposes, including the purchase of additional merchandise inventories, modernization or enlargement of existing stores, opening of additional stores, purchase of store properties and payment of existing mortgage indebtedness.

Holders of the company's outstanding 5% preferred stock are being given the opportunity by the underwriters to acquire new stock at the public offering price in exchange for shares of the old stock. Exchanging stockholders will be credited with the redemption price of $22 per share and accrued dividends on the old stock so exchanged.

The stock being offered constitutes the initial series of an authorized issue of 250,000 shares. It will be redeemable, in whole or in part, at $104 on or before Aug. 1, 1948; at $103 thereafter and on or before Aug. 1, 1951; at $102 thereafter and on or before Aug. 1, 1953; at $101 thereafter and on or before Aug. 1, 1955; and at $100 thereafter, plus accrued dividends in each instance. Upon any involuntary liquidation or dissolution, the new stock is entitled to $100 per share, and upon a voluntary liquidation, to the then current redemption price.

Peyser Elected Director

Frederick M. Peyser, a member of the banking firm of Hallgarten & Co., of New York City, was elected to the board of directors of Lear, Incorporated, at a recent meeting, it was announced by William P. Lear, President of the company.

Peck, Shaffer & Williams Formed in Cincinnati

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O.—Peck, Shaffer & Williams has been formed with offices in the First National Bank Building to conduct a business in general securities.

Anglo-Belgian Monetary Agreement

(Continued from page 624)

use of the official rate as the basis of all transactions involving a relationship between the two currencies.

(iv) The Bank of England and the National Bank of Belgium, as agents of their respective Governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be authorized on the markets which they control.

Article 2

(i) The Bank of England (acting as agents of the United Kingdom Government) shall sell sterling to the National Bank of Belgium (acting as agents of the Belgian Government) as may be required for payments which residents of the Belgian monetary area, under the exchange regulations in force in that area, are permitted to make to residents of the sterling area—

(a) against Belgian francs to be credited at the official rate to the Bank of England's No. 1 Account with the National Bank of Belgium, provided that the balance standing to the credit of that Account is not thereby increased above a maximum of Bg. fcs. 883,125,000, or

(b) if the balance standing to the credit of the Bank of England's No. 1 Account with the National Bank of Belgium amounts to Bg. fcs. 883,125,000, against gold to be set aside in the Bank of England's name at the National Bank of Belgium, Brussels.

(ii) The National Bank of Belgium (acting as agents of the Belgian Government) shall sell Belgian francs to the Bank of England (acting as agents of the United Kingdom Government) as may be required for payments which residents of the sterling area, under the exchange regulations in force in that area, are permitted to make to residents of the Belgian monetary area—

(a) against sterling to be credited at the official rate to the National Bank of Belgium's No. 1 Account with the Bank of England provided that the balance standing to the credit of that Account is not thereby increased above a maximum of £5 million plus such additional sum as the Contracting Governments shall have agreed to recognise as equivalent to the net amount of sterling owned by residents of the Belgian monetary area at the date on which this Agreement enters into force, or

(b) if the balance standing to the credit of the National Bank of Belgium's No. 1 Account with the Bank of England amounts to £5 million plus the additional sum referred to in subparagraph (a) above, against gold to be set aside in the name of the National Bank of Belgium at the Bank of England, London.

(iii) The National Bank of Belgium shall at all times maintain a balance of not less than £100.-000 on their No. 1 Account with the Bank of England.

(iv) The Bank of England shall at all times maintain a balance of not less than Bg. fcs. 17,662,500 on their No. 1 Account with the National Bank of Belgium.

(v) Gold set aside in Brussels in accordance with the provisions of this Article shall be at the Bank of England's free disposal and may be exported.

(vi) Gold set aside in London in accordance with the provisions of this Article shall be at the National Bank of Belgium's free disposal and may be exported.

Article 3

(i) The Bank of England shall have the right at any time to sell to the National Bank of Belgium, against all or part of the sterling balances held by that Bank, either Belgian francs at the official rate or gold to be set aside at the Bank of England in London.

(ii) The National Bank of Belgium shall have the right at any time to sell to the Bank of England, against all or part of the Belgian franc balances held by that Bank, either sterling at the official rate or gold to be set aside at the National Bank of Belgium in Brussels.

Article 4

(i) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of the Belgian monetary area for making—

(a) transfers to other residents of the Belgian monetary area;

(b) payments to residents of the sterling area; or

(c) transfers to residents of countries outside the Belgian monetary area and the sterling area to the extent to which these may be authorised by the Government of the United Kingdom under the arrangements contemplated in Article 8 (iii) hereof.

(ii) The Belgian Government shall not restrict the availability of Belgian francs at the disposal of residents of the sterling area for making—

(a) transfers to other residents of the sterling area;

(b) payments to residents of the Belgian monetary area; or

(c) transfers to residents of countries outside the sterling area and the Belgian monetary area to the extent to which these may be authorised by the Belgian Government under the arrangements contemplated in Article 8 (iii) hereof.

Article 5

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

(ii) To the extent to which the Bank of England require Congolese francs for the purpose of providing for payments in the Belgian Congo and the Mandated Territory of Ruanda Urundi, the Bank of England shall purchase them through the National Bank of Belgium against payment in Belgian francs.

Article 6

The two Contracting Governments shall co-operate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers between their areas which do not serve direct and useful economic or commercial purposes.

Article 7

Any sterling held by the National Bank of Belgium shall be held and invested only as may be agreed by the Bank of England and any Belgian francs held by the Bank of England shall be held and invested only as may be agreed by the National Bank of Belgium.

Article 8

(i) If during the currency of this Agreement the Contracting Governments adhere to a general international monetary agree-... y will review the terms of the present Agreement with a view to making any amendments that may be required.

(ii) While the present Agreement remains in force the Contracting Governments shall co-operate to apply it with the necessary flexibility according to circumstances. The Bank of England and the National Bank of Belgium, as agents of their respective Governments, will maintain contact on all technical questions arising out of the Agreement and will collaborate closely on exchange control matters affecting the two areas.

(iii) As opportunity offers, the Contracting Governments shall seek with the consent of the other interested parties—

(a) to make Belgian francs at the disposal of residents of the sterling area and sterling at the disposal of residents of the Belgian monetary area available for payments of a current nature to residents of countries outside the sterling area and the Belgian monetary area; and

(b) to enable residents of countries outside the sterling area and the Belgian monetary area to use sterling at their disposal to make payments of a current nature to residents of the Belgian monetary area, and to use Belgian francs at their disposal to make payments of a current nature to residents of the sterling area.

(iv) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

Article 9

For the purposes of the present Agreement—

(i) 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.

(ii) The expression "the Belgian monetary area" shall, subject to the provisions of Article 10 hereof, include the following territories:—

Belgium,
Luxembourg,
Belgian Congo, and the Mandated Territory of Ruanda Urundi.

(iii) Transactions between the Bank of England and the National Bank of Belgium are to be considered as transactions between the sterling area and the Belgian monetary area.

(iv) Transactions entered into by the Government of any territory within one of the two areas described above are to be considered as transactions entered into by a resident of that area.

Article 10

The present Agreement shall not apply to the Belgian Congo and the Mandated Territory of Ruanda Urundi until fourteen days after its signature. On that date, the Anglo-Belgian Financial Agreement of the 21st January, 1941, * shall cease to have effect between the Contracting Governments.

Article 11

Upon the signature of the present Agreement, the Anglo-Belgian Financial Agreement of the 7th June, 1940 shall be abrogated, and the balances which have accrued thereunder shall be available in accordance with the provisions of Article 4 hereof.

Article 12

The present Agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on the day of its signature. At any time thereafter either Contracting Government may give notice to the other of its intention to terminate the Agreement and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate three years after the date of its coming into force, unless the Contracting Governments agree otherwise.

In witness whereof, the Undersigned, being duly authorised by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done in London, in duplicate, this 5th day of October, 1944.

(L. S.) JOHN ANDERSON
(L. S.) E. de CARTIER
(L. S.) GUTT

* "Treaty Series No. 1 (1941)," Cmd. 6248.

With M. S. Walker & Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, CALIF.—**Arthur P. Adkisson** has become associated with **M. S. Walker & Co.,** 125 East First Street. Mr. Adkisson was previously with Mitchum, Tully & Co. in charge of their local office.

The British Labor Party's Success

National City Bank of N. Y. Doubts the Party Will Do What It Promises. Sees Merely That Another Element of Confusion in World Affairs Has Been Added and Holds It Will Not Affect Our Own Policy of Free Enterprise.

The August issue of the Monthly Letter of the National City Bank of New York reviews the results of the recent British election and after analyzing the Labor Party's program, expresses doubt regarding its accomplishment. It sees no adverse effect on our policy of free enterprise and adds that because the leaders of the Labor Party served ably in the Coalition government, it concludes that "fortunately there are many factors of reassurance that extreme Leftists will not exert a major influence."

"The sweeping victory of the Labor party, in the British elections," the National City Letter states, "was a stunning surprise in this country, for advices from abroad had indicated that an overturn was not likely. It is difficult even in our own elections to determine what influences actually govern voters, and of course it is more difficult to comprehend all the political and personal factors that enter into an election in another country. The Conservative party had been in office ten years, including nearly six of war, and any party in power under such circumstances becomes the target of accumulated grievances and complaints, which may have influenced the voters as much as or more than study of post-war issues. We are familiar in this country with changes of administration after a war and at other critical times.

"The Conservatives were on record as endorsing the White Paper of May 26, 1944, which recommended government acceptance of responsibility for 'a high and stable level of employment after the war' and proposed radical measures to that end. They sponsored a housing program, extension of social security and national health service, and other measures on which the British people for the most part are agreed. The Labor party, however, promised all this and much more."

The Labor Program

Regarding the reforms promised by the successful organization, the Letter continues: The platform of the Labor party is contained in the statement entitled "Let Us Face the Future," which was drawn up last April by a committee headed by Herbert Morrison, and approved by the annual conference of the party in May. The program includes—in addition to expanded social security and health measures and "jobs for all"—public ownership of the fuel and power industries, inland transport, iron and steel, and the Bank of England. It includes "planned investment" for both industrial and social purposes and a Board to "determine social priorities and promote better timing in private investment." It includes "suitable economic and price controls" to keep down living costs and give priority to production of necessities. A "full program of land planning and drastic action to insure an efficient building industry" is pledged, and it is declared that "Labor believes in land nationalization and will work towards it."

Above all, the program declared that Labor will do what it promises. "The nation needs a tremendous overhaul. . . . All parties say so—the Labor party means it." "Everybody says that we must have houses. Only the Labor party is ready to take the necessary steps." "The Labor party is a Socialist party, and proud of it."

Insofar as post-war policy was the issue, therefore, it was one of the degree of control and overhead planning to be enforced by the State, the amount of economic activity to be carried on by the State, and the extent of individual benefits to be sought from the State. Mr. Churchill warned that the Labor proposals meant the loss of freedom of economic action and probably, in the end, of political liberties. He drew a vivid picture of the eventual regulation of daily lives and pursuits, and of rampant inflation. The Labor leaders ridiculed these tears and obviously the voters were not impressed. The outcome shows that the voters are not afraid of a possible vast extension of state intervention, for purposes which they believe to be beneficent. At any rate, they preferred to put their trust in new faces and new ideas.

It should be said that by no stretch of the imagination can the result be considered a repudiation of Mr. Churchill's leadership during the past five years. His stature as a war leader can never be diminished, and his place in history is unique and secure.

Implications of the Change

It is a momentous step for a country with the long tradition of liberty and free enterprise of Great Britain to entrust its government to a party of socialist doctrines, and reactions will be felt far beyond Britain's borders. There are some who hold that the situation will be benefited by government taking wider control, on the ground that the problems of Great Britain, as of Europe generally, are too vast to be solved by reliance on private initiative. The opposing view is that the change of government and of policy adds another element to the confusion in world affairs at a time when confusion, uncertainty and controversy may exact a costly price in delaying reconstruction and recovery; and that enterprise will be depressed at a time when all possible enterprise is needed. Business men of England and those doing business with them may not know for a while how to plan ahead.

In all countries practical tasks of reconstruction lie ahead. Will the decision of the British people stimulate demand for shifts further to the Left elsewhere, with resulting controversy, disunion and delay in getting down to the hard, pressing tasks? What is the significance of the move for the pound sterling? What will be the British action on the Bretton Woods Agreements, which our own Congress has accepted? Will the Labor government be willing to make commitments toward currency stabilization, even the flexible commitments embodied in the Fund? And if it makes the commitments, will it be able to carry them out, if its social measures advance industrial costs so that exports are restricted and international payments run a steady deficit? In that case will there be resort to export subsidies, bilateral agreements and other discriminatory measures of which the world should rid itself?

We published in this Letter last month an article describing the problems of the British balance of payments, which for solution will require hard work, rigid limitation of imports to necessities, emphasis on exports at the expense of domestic consumption, and efficient low-cost production in the export industries. Can these be immediately reconciled with the promises of high wages and great advances in social welfare? What will be the effect of nationalization and of extended business controls on productivity?

Factors of Reassurance

These are grave questions to which events must supply the answer, and it would be wrong to prejudge them. Fortunately there are many factors of reassurance. The men who will hold the principal positions in the Labor government will be the same men who have been serving ably in the Coalition government. Their sense of responsibility is unquestioned. There appears little likelihood that the extreme Leftists will exert major influence. Writing in "Foreign Affairs", July, 1945, A. L. Rowse of Oxford University says of the Labor party:

"Thirty years ago it was the party of the dispossessed. The working classes were kept outside of political and economic power. That generated an immense drive for social and economic justice. The party was a radical party with an aggressive, aggrieved outlook. . . .

"Things have changed since those good (or, according to taste, bad) old days. The party has lost much of its former crusading, propagandists' fire. . . . The fact is that nobody can pretend that the working class has not got substantial social justice in England today. . . . It has ceased to be a party of radical social criticism. It has become more responsible, more governmental."

There is a vast gulf between a radical program carried out ruthlessly and ineptly and one put into effect by experienced and sober-minded people, feeling their way carefully and dealing fairly with all affected. In foreign affairs Mr. Attlee's first statement was that the government would prosecute the war against Japan vigorously, and it will work both through the Big Power conferences and through the United Nations organizations to promote peace and reconstruction.

Can the Aims Be Realized?

Whether the Labor government will realize its social aims must depend in last analysis upon the ability of the British economy to yield and pay for the benefits which so many of the British people expect to receive. That in turn depends upon productivity. If the effort to provide "a high and constant purchasing power . . . through good wages, social services and insurance, and taxation which bears less heavily on the lower-income groups" (the quotation is from "Let Us Face the Future") is pushed faster than the economy can support it, the value of the "purchasing power" distributed will be illusory, for it will be lost through unemployment or through inflation, perhaps both.

At the close of the last war Mr. Lloyd George in his successful campaign for re-election made an address from which an extract is worth reading now:

"You cannot have improved wages and improved conditions of labor all round unless you manage to increase production. . . . There is one condition for the success of all efforts to increase the output of this country—confidence. . . . You must give confidence to all classes, confidence to those who have brains, to those who have capital, and to those with hearts and hands to work. I say to labor, you shall have justice; you shall have fair treatment, a fair share of the amenities of life, and your children shall have equal opportunities with the children of the rich. To capital I say: You shall not be plundered or penalized; do your duty by those who work for you, and the future is free for all the enterprise or audacity you can give us. . . . And when the whole nation sees that wealth lies in production, that production can be enormously increased, with higher wages and shorter hours, and when the classes feel confidence in each other, and trust each other, there will be abundance to requite the toil and to gladden the hearts of all. We can change the whole face of existence."

Mr. Lloyd George offered a great deal, but only, it will be noted, in return for production. On that the Labor program eventually must stand or fall. If it fails it will be because it attempts more than can possibly be fulfilled, in light of the facts and circumstances which face Great Britain now and in the years ahead.

An interesting comment made in this country on the election has been reported in the New York press. Senator Aiken of Vermont is quoted as saying he believed "that the presence of two million American soldiers in the British Isles must have opened the common people's eyes when the GIs referred to the homes and cars and other conveniences back home."

But the thought prompted by this statement is that the homes and cars, the modern conveniences, and other evidences of high living standards in the United States, as described by the GIs in Great Britain, are the achievement of a long history of free enterprise, not of state planning or control; and of a system of private enterprise, not of state management or nationalized industries.

With Wm. R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Louis M. Reaney** has been added to the staff of **William R. Staats Co.**, 640 South Spring Street.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 624)

—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.**

Lehigh Coal & Navigation Company—Study of appreciation potentialities—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

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

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

Midland Utilities and Midland Realization Company—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.**

The Muter Co. and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Nashawena Mills—Circular—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

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** and **American Service Co.**

New England Lime Co.—Circular—Dayton Haigney & Company, 75 Federal Street, Boston 10, Mass.

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.

Province of Alberta Debt Reorganization—Summary of program—First Boston Corporation, 100 Broadway, 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.

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

Southeastern Corp.—Special report showing profit appreciation possibilities in the stocks of this utility holding company—Luckhurst & Co., 40 Exchange Place, New York 5, N. Y.

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.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

A study of New York City bank stocks undertaken some 12 years ago, with which this writer was associated, developed some interesting ratios and other facts. For example, it was found that over the 27-year period from 1907 to 1933, the investing public's appraisal of the value of bank stocks, based on the record of a group of 15 high grade New York City bank stocks, averaged 18.64 times the banks' average annual earnings.

When this period was divided into two periods, viz.: 1907 to 1922, and 1923 to 1933, the respective average ratios became 15.43 and 23.33. The study indicated that the higher appraisal of the second period could be accounted for by greater public participation and interest in the market in general and bank stocks in particular. The educational influence of the Liberty Loan campaigns of World War I was considered to be an important factor in arousing public interest in the security markets.

RATIOS OF MARKET BID TO CURRENT EARNINGS OF YEARS SPECIFIED

	High Year 1937	Low Year Mean 1943	11-Year Average High	11-Year Average Mean	Aug. 2, 1945 (1944 Earnings)
Bank of Manhattan	22.1	4.8	12.1	9.8	7.0
Bank of New York	26.6	11.7	20.1	17.6	14.6
Bankers Trust	28.3	8.2	16.7	14.2	11.3
Central Hanover	20.1	11.8	17.4	14.9	11.6
Chase National	31.3	9.8	18.9	15.5	13.5
Chemical	21.4	11.7	14.6	12.5	12.8
Continental	12.4	7.1	13.2	11.0	12.2
Corn Exchange	24.2	9.4	13.9	11.7	10.9
First National	23.7	12.3	16.1	13.9	15.0
Guaranty Trust	25.6	11.6	17.0	14.6	12.3
Irving Trust	27.0	11.3	18.4	15.4	10.3
Manufacturers	15.5	5.7	8.3	6.8	6.2
National City	39.1	11.1	15.3	12.3	10.0
New York Trust	25.2	9.7	14.2	12.1	10.0
Public national	19.5	9.5	13 0	10.7	10.1
United States Trust	25.5	11.2	19.9	17.9	11.8
Average	24.5	9.8	15.6	13.2	11.2

It may be of interest to examine the market's appraisal of bank stocks today, and also to trace the record since the close of the former study in the year 1933. For this purpose a group of 16 leading New York City banks has been selected, which, except for mergers and other corporate changes, comprise substantially the same group of banks as was used in the 1907-1933 study.

On Aug. 2, 1945, the market's bid for these stocks averaged only 11.2 times 1944 earnings, or approximately only 10 times estimated 1945 earnings. This is an astonishingly low ratio and compares with the following annual mean ratios and annual high ratios for the group of 16 stocks:

Year	Mean	High
1934	11.7	14.0
1935	15.9	19.6
1936	17.5	19.9
1937	18.7	24.5
1938	12.8	14.6
1939	13.8	15.6
1940	12.8	14.8
1941	11.2	13.2
1942	10.4	12.1
1943	9.8	11.2
1944	10.6	11.8
11 Yr. Average	13.2	15.6

It seems very evident that the market since 1940 has not kept pace with the substantial upward trend in earnings which these banks have experienced. In general, the market's current appraisal appears too low; in other words, bank stocks are currently undervalued.

Turning to the individual bank stocks, it will be found that there are marked differences. Stocks which have enjoyed the highest market ratios since 1934 are: Bank of New York, 26.6 in 1937; Bankers Trust, 28.3 in 1937; Chase, 31.3 in 1937; Guaranty, 25.6 in 1937; Irving, 28.5 in 1936; National City, 39.1 in 1937; and U. S. Trust, 25.8 in 1935.

Banks whose stocks have usually commanded a lower than average bid ratio during the period, are: Bank of Manhattan, Continental, Corn Exchange, Manufacturers and Public National.

Recent NASD By-Law Amendments

(Continued from page 619)

vide safeguards against unreasonable profits or unreasonable rates of commissions or other charges * * *".

Now it is perfectly conceivable that of those voting, many who were in favor of registration might have been against the broadening of this rule-making power, the effect of which is virtually to make the NASD a price-fixing body, or vice versa. Nevertheless, there was no opportunity to vote separately on these propositions. The Board's strategy apparently was to compel the members to take the whole or leave it. This is both unfair and undemocratic and of itself warrants the rejection of all the amendments.

We seem to be veering from a government of laws to a government of men. Once before, the NASD attempted to control prices by controlling spreads. Whilst the SEC called this an interpretation it nevertheless discountenanced any inference of impropriety from the size of the spread alone.

Comes the Board and starts playing with the idea of "unreasonable profits" and "unreasonable commissions."

What is reasonable becomes specific only as it is applied to the facts of each particular case. Because of this the Courts have refused again and again to give a general definition of the terms "reasonable" and "unreasonable," and have held that each case is dependent upon its own facts.

Is there any reason to hope that where the Courts have refused to define, the NASD will succeed? Has its Board of Governors a better knowledge of semantics?

The contrast lies in this, before the Courts, individual freedom of action will be preserved. No hard and fast rule of reasonableness or unreasonableness will be invoked. In NASD disciplinary proceedings, no matter what rule or interpretation of "reasonable profits" and "reasonable commissions" might be invoked after passage of such a by-law, no matter how such rule violated our freedoms and our constitution and the requirements of common fairness, he who was in the toils, though he had fought against such by-law, would be met with the contention that his application for membership constituted an agreement to abide by the by-laws and an estoppal against his asserting any defense with respect to the by-laws.

The problem of enforcement would be an extremely broad one. It would be impossible to establish any uniformity.

The expense of running an organization, in itself an important element in the estimate of profits, depends upon numerous considerations. The study given to a security, the time and cost involved in making such study, the position taken, the duration of that position and the risk involved, all these are some of the factors that go into estimating profits.

If the Governors intend to pursue this matter any further they will have carved for themslves an indigestible morsel.

Commenting on the Governors' activities in connection with these recent amendments, one of our readers, a member of the NASD, writes: "We reiterate, that it is our opinion, that it is long past high time that a new organization be formed and feel certain that 90% of the security dealers could get much more for much less from an efficiently run association seeking to benefit all its members."

If the Board starts toying with what profits are reasonable or unreasonable, and limiting commissions, it will be encouraging considerably more of such sentiment because the public and the average dealer resent invasions of our free institutions.

We put the public first because we feel price-fixing in the security field, having no relation to the war effort, will be the forerunner of what will occur throughout all industry if this tendency is not nipped in the bud.

The public has no relish for this type of control. It still favors those free institutions which formed the basis of our founding, and which are being increasingly endangered by rules that are a usurpation of legislative powers.

W. Aldrich Off for Meet. of Int. Chamber of Com.

Winthrop Aldrich, chairman of the Board of the Chase National Bank, of New York, was one of the transatlantic passengers leaving La Guardia Field Marine base on Aug. 7 for Foynes, Eire, aboard an American Export Airlines Flying Ace.

Mr. Aldrich, said the New York "Sun," stated that he would attend a meeting of officials of the International Chamber of Commerce, of which he is President, scheduled to convene at Grosvenor House next week. Mr. Aldrich stated:

"This meeting will plan the post-war program of the International Chamber and fix the date of the first post-war Congress to be held sometime next summer."

The Securities Salesman's Corner

By JOHN DUTTON

A Selling Idea That's New and Different

It has often occurred to the writer that there is a straight road to success in opening women's accounts. As yet, we have heard of few, or practically no firms that have attempted the method we are suggesting for this purpose. Possibly the idea is too radical; but after thinking it over it is our opinion that if properly handled, LECTURES ON THE PRINCIPLES OF INVESTMENT held exclusively for women should prove to be an excellent method of bringing in many new customers and substantially increasing sales volume.

Invitations could be sent to a selected list of women, made up from leaders in local affairs and the wives of successful business men, as well as regular customers of the firm. The hours set aside for this purpose should be convenient for women, possibly from 3:15 to 4:30 would be about right. The time allotted for such a course should be limited to about one hour and a half and the subjects presented should also comprise not over six individual subjects. At least, this is our opinion—frankly we've never tried this plan, and the whole thing is a matter of feeling our way—regardless of the attractiveness of the idea itself.

When invitations are sent out they should carry a return card stating that the sizes of the classes, of a necessity, must be limited; and reservations should be received in advance.

The letter of invitation should include a list of the subjects to be discussed. If possible, we would have a woman address these meetings, but if this cannot be accomplished we would have one of the partners of the firm do so. Some mention should be made of the educational and business background of the speaker. Also, special mention of the fact that no obligation or charge will be made for attendance, and of course, nothing in the way of selling will be mentioned at any time. This letter should be carefully drawn up—it is important! The best stationary available, and the most scrupulous care in composition is necessary for a letter such as this to go over.

As for the subjects themselves, they should be broad enough to appeal to the uninitiated as well as the more sophisticated investor. It is a fact that few women (and many men investors) know how a sinking fund operates, what it is and why it is. Or excess profits taxes and other taxes and their effect upon security values. Bonds, debentures, preferred and common stocks, warrants and conversion features present an almost unintelligible jargon to many people. The basis for a sound approach to investment; the reason for price fluctuations in securities; timing; relative degrees of safety in an investment; balance in a portfolio; growth companies and how to select them; and a host of other subjects present an almost inexhaustible treasure of information that can be presented in a short lecture course such as this.

It seems as if people are beginning to want to learn more than ever before, about what is going on in this interesting world in which we live. It could be possible that this also applies to one of the most vital problems which the average individual has to face today—making their future more secure through wiser and better investment. For that is what they should be doing when they invest in securities.

If the firm's quarters are sufficiently large, these classes could be held on the premises. In fact, we believe this would be preferable. As a "topper-offer" some light refreshments might also be served—tea and cake always seems to go well with the ladies. (This point we won't guarantee, and if you try it better call in the partners' wives for consultation first).

One thing more—if these classes are well handled and they leave a good impression on these who attend them—IT WILL BRING IN BUSINESS! If anyone tries it out the writer of this column would appreciate hearing about the results. It is our belief the idea is worth a real effort and that it will bring substantial rewards if properly conceived and directed.

Municipal News & Notes

While exceptionally close bidding on new municipal issues is commonplace, rather than an exception, the illustration afforded in the case of the Minneapolis award on Monday is deserving of particular mention. The offering consisted of $1,705,000 principal amount of refunding and public welfare bonds, maturing serially from 1946 to 1955, incl.

The opening of bids revealed that the high and successful bidder was a syndicate headed by Phelps, Fenn & Co., New York, which named a price of 100.158 for 1s. In second position, with an offer of 100.157 for the same coupon, was an account managed by Salomon Bros. & Hutzler, New York, while the third best tender of 100.137, also for 1s, was entered on behalf of a group formed by the First National Bank of Chicago. Several other syndicates participated in the bidding, specifying a coupon rate of 1.10%.

As will be seen from the foregoing, the spread between the first and second bids was only a fraction of a cent, while the difference in the case of the third high tender was only 2.1 cents.

This performance, it may be remarked, would be noteworthy even under normal market conditions. However, it takes on added significance in light of the rather poor performance of the municipal market generally in recent weeks. In this situation, dealers have been inclined to be rather cautious in the matter of bids, with the result that there has been a noticeable widening of spreads.

That such was not prevalent in the case of the Minneapolis sale is at once a tribute to the acumen and confidence in the market by the three leading bidders.

The outcome of this latest borrowing operation by the city, incidentally, also gives some indication of the extent to which the market has sagged from the levels which obtained earlier in the year.

Thus on the occasion of the city's earlier appearance in the capital market on Jan. 23, last, it disposed of $2,500,000 0.90% bonds of 1946-1955 maturity at a net cost of approximately 0.88%. This contrasts with the net rate of 0.97% achieved in the current instance, involving $1,705,000 bonds of similar maturity.

A group headed by Phelps, Fenn & Co. also won the January award and in competition no less keen than that which featured the recent operation. The successful bid was a combination of 100.1675 for $2,000,000 refundings and 100.149 for the companion offering of $500,000 public relief bonds. The runner-up bids on that occasion were 100.065 and 100.147, also for 0.90s.

Sold and For Sale

Among other recent issues of importance was the $4,750,000 Washington Toll Bridge Authority revenue refundings, which were acquired by a syndicate headed by Harris, Hall & Co., Chicago, on a bid of 100.13 for 1¼s. The bonds mature in 1955 and are optional in varying amounts, ranging from $200,000 in 1946 to $610,000 in 1955.

Coincident with the award, announcement was made of the call for redemption on Sept. 1 next, of the outstanding $4,815,000 authority bonds, dated Sept. 1, 1944.

Another large offering to come to light, albeit without any advance publicity, consisted of $2,351,000 **Willacy County Water Control and Improvement District No. 1, Texas**, 3% refundings, with the sponsors being a group managed by John Nuveen & Co., Chicago. The issue is due serially from 1946 to 1975, incl., with bonds due in 1956 and thereafter being subject to optional redemption.

The **City of Dallas, Texas**, was scheduled to make award on Wednesday of $1,500,000 various new issues, including $1,000,000 for airport improvements. Today (Thursday) the **Chicago Sanitary District, Ill.**, will consider bids on $2,000,000 construction bonds, due in 1965 and optional beginning in 1947.

Two large deals are scheduled to develop on Monday, August 13, with the principals being **Cuyahoga County, Ohio**, and the **State of Tennessee**. The Ohio unit is offering $1,625,000 refundings, maturing semi-annually from 1946 to 1950, incl., while Tennessee plans to award $3,500,000 public building bonds, to mature on Sept. 1, 1957.

On Tuesday, August 14, sales are in prospect of $2,750,000 **Glendale Unified School District, Los Angeles County, Calif.**, bonds, and $920,000 **Glen Ridge School District, N. J.**, obligations, with a maturity range of 1946-1985. The only other large offering presently scheduled to develop next week consists of $710,000 **Fair Lawn, N. J.**, sewer bonds, bids on which will be opened on Aug. 16.

Anticipated

Present indications suggest that the **State of California** will be the first Commonwealth to effect any bond financing for the purpose of providing benefits to veterans of World War II. State Treasurer Charles Johnson has announced that $15,000,000 veterans' aid bonds, part of an authorized issue of $30,000,000, will be offered for sale sometime in November.

Aetna Life of Hartford Asks Bids on Total of $9,377,000 Municipals

The possibility of further substantial liquidation of municipals by insurance companies is evidenced in the current announcement of the intention of the Aetna Life Insurance Co., Hartford, Conn., to receive sealed bids until Aug. 15 on $9,377,000 holdings of various State and municipal bonds. The offering includes obligations of States and local governmental units which are of general market interest. It constitutes the first important operation of its kind in some weeks and may be the forerunner of similar undertakings.

Canadians Sensitive About Gold Share Dealings

(Continued from page 621)

Restrictive U. S. Laws Not Permitted in Canada

Perhaps as good a statement of more responsible Toronto financial opinion on this subject is the following, taken from the Toronto "Globe and Mail" of June 21. After stressing the desirability of encouraging small prospectors, rather than relying on large established mining corporations, the article continues:

"If Canada therefore wants to have really active campaigns to find and change new natural resources of Canada into known and proved resources, it should not hamper sincere venture capital. The unprofitable servant or racketeer in mining finance should be eliminated as soon as and wherever found under our own laws. But much of present-day critical comment of a wholesale character fails to take into account that if this phase of mining finance is stopped by a campaign to break confidence of the American and Canadian publics in the mining possibilities of Canada, it is another way of abandoning further exploration and discovery of new areas.

"United States capital has played a great part in developing the mines of Canada. For those whose ventures succeeded it has been a great source of wealth and Canada has benefited as well in employment and production. If SEC and State security commissions succeed in cutting this off because the shares are patently speculative, there will be less and less employment in mining instead of more and more. It is also for the long interests of the United States to have developed in this hemisphere important mining production. Canadian mines were a very great help in this war.

"That is why restrictive United States laws cannot be permitted to operate in Canada and thus defeat the aims of our own security laws.

"They would kill progress here after the war as they have already killed mining expansion of a similar kind in the United States.

"And no one should imagine that it would only affect mining. Various companies offering bonds and shares, highly buttressed by current income, have also had to make plain in their advertisements that they are not offering shares to Americans. It is far from a satisfactory situation to arise between countries which have always had a comparatively free flow of securities both ways (except for war restrictions). If it happens, we will have to do all our exploration as best we can. Syndicates and companies are the most effective way for the country at large. The job cannot be handed over to the State, as in Russia. To do a proper job would raise taxes, and those who do not want to finance mining have rights, as well as those who do."

What Irks Canadians

What Canadian financial circles cite as particularly objectionable in the recent American efforts to clean up the Toronto gold-stock "racket" is the subjecting of Canadian citizens to possible punishment for acts which, although crimes in the United States, are perfectly legitimate in Canada. There has been resistance in Canada to granting to the United States powers to enforce American laws in Canada. The Canadians want, first, a meeting of minds between the two national governments as to what constitutes crime in this instance. They want to avoid recognizing a system under which a Canadian traveling in the United States might be arrested for stock-promotion activities which are lawful in his own country. And they will certainly object to any extradition treaty which would subject Canadians to punishment retroactively for offenses against American securities laws or for offenses still to be mutually defined by the two governments.

SEC Registration Costs Cited

One point emphasized by Canadians is the prohibitive SEC registration cost for small issues. When Mr. Callahan was in Toronto earlier this summer he was asked about this. The following is taken from a press report of the time:

"*Question*—What would a Canadian broker have to do today to register his stock for sale in say ten Eastern States? How long would it take? How much would it cost?

"*Answer*—First of all, he would have to have it registered with the SEC. Then he would have to have a broker-dealer registration effective with the SEC, and then he would have to have the issue qualified with the ten States in which he would sell, depending on the requirements of each State.

Some States require more than others. Operating from Toronto, all he would have to do is to have the issue qualified. You could register an issue with us if everything was in order in 20 days. After filing, it becomes effective if the information is complete enough. With the States I do not know. With some it does not require much, with others much more. I have no idea of the costs. The fees are nominal. I do not know what the lawyers will charge. A Toronto attorney could manage it as well as a United States attorney. If there are delaying moves it is never for the purpose of wearing a person out but of getting full information with the object of complete disclosure."

Canadian comment on Mr. Callahan's reply centers on the phrase, "if information given is considered to be complete enough." Toronto financiers quote American testimony to the effect that the time and expense involved are much greater than might be imagined; that expenses on small issues run from $20,000 to $50,000, and the time from 30 to 90 days. Canadian investment banking interests object to such "onerous" requirements. Moreover, they argue, the money invested for mining should go into mining, and not into the pockets of lawyers, accountants and the other experts required by SEC regulations. This may seem to be ignoring the purpose of the SEC in this instance, which is to prevent gullible Americans from being mulcted by greedy gold-stock promoters across the border. Canadian commentators do say that they offer no defense for crooks. Their comments, however, reveal little attention to the complaints from this side of the border, but rather a preoccupation with the adverse effects on legitimate Canadian mining-stock promotion here of the American complaints and the protective measures being taken by the Federal and various State governments.

Pennsylvania Is Criticized

An example of the Canadian frame of mind is the following comment by Mr. Wellington Jeffers of Toronto:

"Ben Rose, Toronto 'Star' staff correspondent, in a dispatch from New York, quotes J. Myron Honigman, one of Pennsylvania's securities commissioners, as saying that to deal legally in Pennsylvania, Toronto brokers need only satisfy the State's security commissioners of the legitimacy of their offerings. The yardsticks, he said, are whether an honest attempt is being made to explore the property, good repute of the brokers making the offer and whether the prospectus properly states the element of speculation involved. One test mentioned by Mr. Honigman is that brokers' commission is to be limited, except in unusual cases, to 15%.

"This interview aroused unusual interest on Bay St. It seems incredible, but I am told that MacDonald Mines, a Canadian issue, has the record of being the only case of a metal mining issue to be approved by the Pennsylvania Securities Commission. Add that their approval is good for one year and has to be renewed each year. The sweet reasonableness indicated by Mr. Honigman's statement seems to have been an effective barrier in the United States as well as Canada to sale of stock in Pennsylvania if our information is correct, and it appears to be reliable."

With Barbour, Smith & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Dale M. Peterson** has become connected with **Barbour, Smith & Company**, 210 West Seventh Street. Mr. Peterson was formerly with Crowell, Weedon & Co. and Adams-Fastnow Co.

State Department Spokesmen Uphold Use of Troops

(Continued from page 619)

passed upon by a vote of both Houses of Congress. In discussing Article 43 of the Charter, which relates to the use of armed force, the two officials spoke as follows:

Acheson: The question was whether this Article by itself imposes upon the member nations an obligation to supply forces to the Security Council—or whether another treaty will have to be negotiated to create such an obligation.

MacLeish: That would have left our position on this important question open to some doubt, would it not, Dean?

Acheson: That's right, Archie. But fortunately that interpretation did not prevail. One of the most impressive aspects of the debate in the Senate was the practical unanimity with which Senators of both parties stated positively that the time to decide this question was now. The debate made it clear that the ratification of the Charter imposes upon the United States the absolute obligation to make armed forces and facilities available to the Security Council in order to help maintain peace and security.

MacLeish: Under that interpretation then, since the obligation is established now, the later military agreements will be concerned solely with working out the details of this obligation.

Acheson: Yes. And these agreements would not be considered as treaties so far as this country is concerned. Before the conclusion of the debate, President Truman sent a communication to the Senate in which he stated his intention, when any such agreements are negotiated, to ask the Congress to approve them by appropriate legislation. This means legislation to be passed **by a majority of both Houses of Congress,** under the constitutional power of Congress to raise and support armies and make rules for the regulation of our armed forces.

MacLeish: Does this question have any bearing upon that other widely-discussed question of the power of the American delegate on the Security Council—that is, whether he will be empowered to supply contingents of United States forces to take part in enforcement action by the Security Council?

Acheson: Yes. It was brought out during the same debate that the ratification of this Charter, with Article 43 in it, vests in **the President** the power and obligation to execute the provisions of the Charter. Therefore if the Security Council should decide to take enforcement action, the President, or his delegate on the Security Council (who will be under his instructions) will have the power and the obligation to call up such United States forces as we have made available under the Charter and the military agreements. This necessarily flows from the ratification of the Charter. Any restrictions upon the power of the President to call upon these forces . . .

MacLeish: You mean for example a requirement that he secure Congressional approval each time the forces are called out?

Acheson: Exactly. Any such requirement would be inconsistent with our obligations under the Charter. I believe the Senate debate produced a clear understanding of both of these questions.

MacLeish: The strategy that was used to block our ratification of the League Covenant in 1919 and 1920, then, has little chance of succeeding this time—if it is tried.

Acheson: President Roosevelt and Secretary Hull decided long ago that the events of 1919 and 1920 would not be repeated. Two years of careful planning went into our proposals at Dumbarton Oaks. During this whole period leading members of the Senate and House, from both political parties, participated fully in the preparations. And of course four of our seven delegates at San Francisco were members of Congress—and they did a magnificent job. The Conference out there was held in a blaze of publicity, so that there could be no charge of secret agreements this time. When the issues finally came to a vote, Senators Connally and Vandenberg, who played an important part in drawing up the Charter, were its most effective spokesmen.

MacLeish: And it was not handicapped by being tied up to a controversial peace treaty, as was the League of Nations Covenant.

Acheson: But let's not forget that there is a whole series of decisions yet to be made before we will be able to participate fully in an effectively functioning United Nations organization. First we must complete the formal task of organizing, including the selection of our delegates and the setting up of the various councils and commissions. Then we will have to negotiate the military agreements. And while a trusteeship system has been created by the Charter, the determination of the exact areas to be placed under trusteeship has been left for later agreement.

MacLeish: And won't each nation also have to decide for itself on the extent to which it will submit its international disputes to the new International Court of Justice?

Acheson: Yes, and the necessary funds for the costs of the organization will have to be supplied. And in the case of some countries, including our own, legislation will be necessary to extend privileges and immunities to the organization and its officials.

MacLeish: In other words, there are difficult steps still to take. And I think it is important to point out that the steps already taken haven't been easy, however one-sided the vote on the Charter may look. No decision is easy which has cost a people what this one has cost us—what it has cost us to learn that, in the modern world, the policy of irresponsibility is the policy of disaster and death. People who say that the Charter can't amount to much because there was so little controversy about it forget that the decision to take this step had been long in making. Of course, there are always people who are really opposed to a program of international cooperation but aren't willing to come out and say so. As Tom Stokes said the other day, they "console themselves" with the argument that the Charter doesn't mean much anyway. Then there are always the perfectionists who think the Charter doesn't go far enough in the direction of world government. They are sincere, but they forget that world action requires world agreement and that world agreement is very difficult to come by. San Francisco went considerably farther than we had a right to believe it would. But what none of these people realize is the fact that the legislation we are talking about—the measures passed by Congress in the last few months—constitute a virtual revolution in our foreign policy.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Henry G. Miner** has become affiliated with **Crowell, Weedon & Co.,** 650 South Spring Street.

Urges India Accept Bretton Woods

An Associated Press dispatch printed in the New York "Journal of Commerce" on Aug. 7 states that Sir Chintaman D. Deshmukh, Governor of India's Reserve Bank and one of the delegates to the Bretton Woods International Monetary Conference, asked his country to accept the Bretton Woods agreement despite the conference's rejection of India's demand that the International Monetary Fund assume part of India's blocked sterling balances.

Addressing the annual meeting of the Reserve Bank in Delhi, Sir Chintaman said "it is obviously to the advantage of India to place herself in a position to participate in the benefits of world trade and global economic development which are anticipated from the successful operation of the two institutions involved—Bank and Fund."

Commenting on the sterling balances, Sir Chintaman warned Indian industrialists to "take a realistic accounts of their ready availability for the purchase of capital equipment and goods from abroad so that their schemes may be more firmly based if less ambitiously designed."

Broker-Dealer Personnel Items

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

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Frank J. Koch** has joined the staff of **Quincy Cass Associates,** 523 West Sixth Street. He was with Oscar F. Kraft & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Clifton H. Burnsworth** and **William S. Cook** have become associated with **Investment Fund Distributors,** 650 South Spring Street. Mr. Burnsworth was previously with Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Georgia C. Devore** is connected with **Frank D. Newman & Co.,** Ingraham Building.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**Penn L. Austin** is with **Cohu & Torrey,** Alfred I. du Pont Building.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—**Milton J. McGovern** is affiliated with **Beer & Co.,** 817 Gravier Street.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—**Julius J. DeVries, Frank Fuhr, Denise V. Hughes, Theodore Macklin, Omer Nigh, Walter E. Powell, Philip M. Seifter** and **Betty M. Thomas** are now connected with **Capital Securities Co.,** 29 Grand Avenue.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — **Eli E. Power,** recently serving in the U. S. Army, has returned to **Timberlake & Co.,** 191 Middle Street.

(Special to THE FINANCIAL CHRONICLE)

RIVERSIDE, CALIF.—**Clifford N. Moore** has become associated with **Walston, Hoffman & Goodwin,** Farmers & Mechanics Building. He was previously with First California Company.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Alvin F. Hansen** is with **Slayton and Company, Inc.,** 111 North Fourth Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Pauline Shorb** is with **E. H. Rollins & Sons Inc.,** Russ Building.

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, IND.—**Charles C. Milford** has been added to the staff of **Harrison & Austin, Inc.,** National Bank Building.

New York Trust Co. Hospitalization

John E. Bierwirth, President of The New York Trust Company, announced on July 23 that the company has adopted plans to meet the expenses in hospitals of illnesses of employees and their family dependents. Protection will be provided beginning Aug. 1 through the Blue Cross Plan of Associated Hospital Service of New York and the Doctors' Plan of the United Medical Service, Inc. The company will pay all costs. In a letter to the employees, announcing the adoption of the plans, Mr. Bierwirth explained that provisions had been made for the payment of hospital bills and for the cost of medical, surgical and obstetrical care in hospitals, and that benefits will be available without waiting periods to all salaried employees, regardless of age or rank, who have completed six months or more of continuous service. This is the third measure adopted by The New York Trust Company in recent years for the benefit of its employees. In 1943 the company established a Retirement Annuity Plan, which was followed in 1944 by an Incentive Compensation Plan for the officers and employees.

Our Meat Situation

(Continued from page 621)

The British ration for meat is expressed in terms of money and the local British consul informed us that it is equivalent to about one pound in weight. The average person in Britain gets just about the same amount of rationed meat per week as the average person in this country. The British ration of meat and bacon equals 7 of our red points per week, or 30 per month which is just slightly more than what the average person in this country spends for the same items. In addition to his meat and bacon ration the British consumer may spend his blue points for Spam and thus add 2¼ pounds a month to his meat diet but, of course, he would hardly use many of his blue points in this way.

The table shows that the British ration provides each person with a weekly total of meats and fats that would cost an American 1.4 times his weekly allowance of 11.5 red points. Since the American buys with his allowance about the same amount of meat as the Britisher receives, it is evident that the British consumer is receiving more fats and meat substitutes than the American.

Does the average person in Great Britain increase his meat supply via the black market? The London Economist states that the per capita consumption of meat has been only 108 pounds in each of the last two years and will be less this year. In this country the consumption of meat per capita this year will total, as indicated earlier, about 124 pounds. Last year it was 149 pounds and the year before that 140 pounds. Undoubtedly a black market exists in England but apparently it is not an important factor.

The difference between 108 pounds and 124 pounds per capita is a minimum measure of the black market in this country and lends support to the estimate made earlier of a black market of 25 to 35 pounds per capita per year. If England can distribute meats under rationing in such an efficient manner, why can't America do the same?

DIVIDEND NOTICES

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 85

A regular quarterly dividend of forty cents ($0.40) per share, upon the issued and outstanding common stock, without par value, of this Company, has been declared, payable September 28, 1945, to stockholders of record at the close of business September 7, 1945. Transfer books will not be closed. Checks will be mailed.

W. E. HAWKINSON,
Secretary-Treasurer.

August 2, 1945.

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share on the 4¾% cumulative Preferred capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending September 30, 1945, payable October 1, 1945, to holders of such stock of record on the books of the company at the close of business September 4, 1945.

Common Stock Dividend

THE regular quarterly dividend of Forty Cents (40c) per share on the Common capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending September 30, 1945, payable September 15, 1945, to holders of such stock of record on the books of the company at the close of business August 16, 1945.

H. D. ANDERSON, Secretary.

August 8, 1945.

American Woolen Company

INCORPORATED

225 FOURTH AVE., NEW YORK 3, N.Y.

AT a meeting of the Board of Directors of the American Woolen Company held today, a dividend on the Preferred Stock of $4.00 a share on account of arrears was declared, payable September 12, 1945 to stockholders of record August 23, 1945. Transfer books will not close. Checks will be mailed by Guaranty Trust Co. of N. Y., dividend disbursing agent.

F. S. CONNETT,
Treasurer.

August 8, 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

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, July 30, 1945.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the capital stock without par value, payable September 15, 1945 to shareholders of record at the close of business August 24, 1945.

C. O. BELL, Secretary.

BUR-MIL QUALITY

Dividend Notice — August 3 1945

BURLINGTON MILLS CORPORATION

The Board of Directors of this Corporation has declared the following dividends:

4% CUMULATIVE PREFERRED STOCK
65 3/5 cents per share

COMMON STOCK ($1 par value)
25 cents per share

Each dividend is payable Sept. 1, 1945, to Stockholders of record at the close of business August 15, 1945.

WILLIAM S. COULTER, *Secretary*

DIVIDEND NOTICES

LANE-WELLS COMPANY

DIVIDEND NOTICE

The board of directors has declared a quarterly dividend of 25 cents per share on the common stock, payable September 15, 1945, to stockholders of record August 29, 1945.

B. G. PETERS, Secretary-Treasurer

RADIO CORPORATION OF AMERICA

RCA

Dividend on First Preferred Stock

The Directors have declared, for the period July 1, 1945 to September 30, 1945, a dividend of 87½ cents per share on the outstanding $3.50 Cumulative First Preferred Stock, payable October 1, 1945 to holders of record at the close of business September 7, 1945.

GEORGE S. DE SOUSA
Vice-President and Treasurer

New York, N. Y., August 3, 1945

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 111

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, September 17, 1945, to stockholders of record at three o'clock P. M., on Monday, August 27, 1945. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

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

SOUTHERN RAILWAY COMPANY

New York, July 24, 1945.

A regular quarterly dividend of Seventy-five Cents (75¢) per share on 1,298,200 shares of Common stock without par value of Southern Railway Company, has today been declared, out of the surplus of net profits of the Company for the fiscal year ended December 31, 1944, payable on Saturday, September 15, 1945, to stockholders of record at the close of business Wednesday, August 15, 1945.

Checks in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

J. J. MAHER, *Secretary*.

Sun-Kraft INC.

DIVIDEND NOTICE CLASS "A" STOCK

A regular quarterly dividend of 12½ cents per share on the Class "A" Stock of Sun-Kraft, Inc., has been declared, payable August 15th, 1945 to stockholders of record at the close of business August 4th, 1945. Checks will be mailed.

SUN-KRAFT, INC.
CHICAGO
A. V. ASHMAN, Secretary

Manufacturers of Sun-Kraft quartz ultra-violet ray equipment.

The Board of Directors of

Wentworth Manufacturing Company

has declared a dividend of twelve and one-half cents (12½c) per share on the outstanding common stock of the Company, payable on August 31, 1945 to stockholders of record at the close of business August 17, 1945.

Checks will be mailed.

JOHN E. McDERMOTT,
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.

With Blyth & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Lester F. Rogers is now with Blyth & Co., Inc., 215 West Sixth Street.

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

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. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

Details—See issue of Aug. 2.

Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

Underwriters—Willis E. Burnside & Co., New York.

MONDAY, AUG. 13

MONTANA-DAKOTA UTILITIES CO. on July 25 filed a registration statement for 223,351 4-6 shares of common stock (par $5).

Details—See issue of Aug. 2.

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

Underwriters—To be filed by amendment.

TUESDAY, AUG. 14

ROCKLAND GAS CO., INC., on July 26 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.

Details—See issue of Aug. 2.

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

Underwriters—The principal underwriters are Butcher & Sherrerd, Putnam & Co., Chas. W. Scranton & Co.; Battles & Co., Inc. and Southern Securities Corp.

NOMA ELECTRIC CORP. on July 26 filed a registration statement for 247,361 shares of common stock, par $1.

Details—See issue of Aug. 2.

Underwriters—None.

Offering—Company is offering its common stock to stockholders of Triumph Industries, 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.

WEDNESDAY, AUG. 15

WESTERN LIGHT & TELEPHONE CO., INC. on July 27 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.

Details—See issue of Aug. 2.

Offering—Price to the public will be filed by amendment, after the bonds are offered for sale at competitive bidding.

Underwriters—To be filed by amendment.

HAMILTON RADIO CORP. on July 27 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.

Details—See issue of Aug. 2.

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.

Underwriters—Van Alstyne, Noel & Co. is principal underwriter.

THURSDAY, AUG. 16

CUDAHY PACKING CO. on July 28 filed a registration statement for 100,000 shares of cumulative preferred stock ($10 par). The dividend rate will be filed by amendment.

Details—See issue of Aug. 2.

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.

Underwriters—Goldman, Sachs & Co. is named principal underwriter.

PUBLICKER INDUSTRIES INC. on July 28 filed a registration statement for 100,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Aug. 2.

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

Underwriters — Merrill Lynch, Pierce, Fenner & Beane heads the underwriting group, with names of others to be filed by amendment.

SATURDAY, AUG. 18

J. J. NEWBERRY CO. on July 30 filed a registration statement for 100,000 shares of preferred stock (par $100). The dividend rate will be filed by amendment.

Details—See issue of Aug. 2.

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.

Underwriters—Kidder, Peabody & Co. heads the underwriting group.

CENTRAL ELECTRIC & GAS CO. on July 30 registered 65,000 shares of 4.75% cumulative preferred stock, Series A, par $50.

Details—See issue of Aug. 2.

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.

Underwriters — The underwriting group is headed by Paine, Webber, Jackson & Curtis and Loewi & Co.

MOHAWK PETROLEUM CORP. has filed a registration statement for 120,000 shares of common stock ($1 par). The shares are issued and outstanding and are being sold for the account of certain stockholders.

Address—San Francisco, Cal.

Business—Producing, refining and distributing petroleum products.

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

Proceeds—The proceeds will go to the selling stockholders.

Underwriters—Blyth & Co., Inc.

Registration Statement No. 2-5847. Form S-1. (7-30-45). Registration statement originally filed in San Francisco.

SUNDAY, AUG. 19

ALLIED STORES CORP. has filed a registration statement for 200,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Addres—1440 Broadway, New York, N. Y.

Business—Is a holding company owning subsidiaries which operate department stores and smaller stores classified as junior department stores.

Offering—The offering price to the public will be filed by amendment. It is expected that arrangements will be made with the underwriters whereby holders of the company's outstanding 5% preferred, par $100, will be afforded an opportunity to purchase the new stock by tendering their old stock in payment for the new.

Proceeds—Of the net proceeds, $19,522,500 will be used to redeem all of the 195,225 shares of outstanding 5% preferred (including that received by underwriters in payment for the new stock) at $100 a share, with any balance of proceeds added to the working capital of the company.

Underwriters—The underwriting group is headed by Lehman Brothers.

Registration Statement No. 2-5848. Form S-1. (7-31-45).

PHILADELPHIA FUND, INC., has filed a registration statement for 50,000 shares of capital stock.

Address—Land Title Building, Philadelphia, Pa.

Business—Investment company.

Investment Advisor — Alexander Investment Management Co., Philadelphia.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5849. Form S-5. (7-31-45).

MONDAY, AUG. 20

COLONIAL STORES INC. has filed a registration statement for 60,000 shares of cumulative preferred stock, 4% series, par $50.

Address—301 Dunmore Street, Norfolk, Va.

Business—Operates 430 retail food stores.

Offering—The company is offering to the holders of its 52,478 shares of 5% cumulative preferred the privilege of exchanging such shares for new shares on a share for share basis plus a cash payment. Any shares of the new preferred not issued under the exchange offer plus the 7,522 additional shares will be sold to the underwriters to be offered to the public at a price to be filed by amendment.

Proceeds—The net proceeds from the sale of the preferred stock for cash will be used to the extent necessary to redeem the old preferred at $52.50 per share, plus accrued dividends. The company has arranged for the private sale about Oct. 2, 1945, of $3,250,000 3% sinking fund debentures, due April 1, 1963. Proceeds estimated at $3,197,500 will be used for the redemption of $2,315,000 15-year 3⅝% sinking fund debentures at the redemption price of 103 plus accrued interest, and any balance from sale of stock and debentures will be added to working capital.

Underwriters—The underwriting group is headed by Hemphill, Noyes & Co., First Boston Corp. and Kidder, Peabody & Co.

Registration Statement No. 2-5850. Form S-1. (8-1-45).

TUESDAY, AUG. 21

HOUDAILLE-HERSHEY CORP. has filed a registration statement for $6,000,000 sinking fund debentures, due Sept. 1, 1960, and 190,000 shares of $2.25 cumulative convertible preferred, par $50.

Address—National Bank Building, Detroit, Mich.

Business—Peace-time business manufacture of metal products for the automobile industry.

Offering—The public offering price of the debentures will be filed by amendment. Of the 190,000 shares of $2.25 preferred, 173,500 shares are to be offered by the company in exchange, on a share for share basis plus a payment of $5 a share to the company and with a cash adjustment of dividends, to holders of its outstanding Class A no par value stock. The remaining 16,500 shares and the unexchanged shares will be sold to the underwriters and offered to the public at a price to be filed by amendment. The $5 represents the difference betwen the par value of the new stock and the $45 redemption value of the Class A stock.

Proceeds—The purpose of the issue of the debentures and new preferred stock is to provide for the retirement of all of the presently outstanding 173,500 shares of Class A no par value stock and to provide additional funds which will be used for the expansion and improvement of plants and equipment as soon as labor and materials are available. A part of the cash proceeds from the sale of the unexchanged preferred shares will be applied by company to redeem all of the unexchanged shares of Class A stock at $45 per share plus accrued dividends.

Underwriters—The underwriting group is headed by Paul H. Davis & Co. and Union Securities Co.

Registration Statement No. 2-5851. Form S-1. (8-2-45).

INTERNATIONAL FURNITURE CO. has filed a registration statement for $1,000,000 12-year 5% convertible sinking fund debentures, due Aug. 1, 1957, and 100,000 shares of common stock, par $1. The common shares are issued and are being sold for the account of Philip W. Pelts, who is described as president and sole share holder of the company.

Address—666 Lake Shore Drive, Chicago, Ill.

Business — Manufacture of upholstered living room furniture, etc.

Offering—The public offering price of the debentures is 100 and of the common stock $8.25 per share.

Proceeds—On July 31, 1945, the company and its subsidiary, Arlington Furniture Co., entered into a contract with Mr. Pelts, President of the company, under which the latter would purchase for $170,000 International's Chicago and Pittsburgh properties, all shares of DeKalb Improvement Co. from Arlington and all obligations owing by DeKalb to the two companies. The net proceeds to be received by International from the sale of the debentures and the properties will be used for the purchase or construction and equipping of new plants and expansion of present plants and the balance used for working capital.

Underwriters—Straus & Blosser, Chicago, is named principal underwriter.

Registration Statement No. 2-5852. Form S-1. (8-2-45).

CHICAGO CONSUMERS COOPERATIVE, INC., has filed a registration statement for 17,500 shares of common stock, par $20.

Address — 6 North Michigan Avenue, Chicago.

Business — Company was organized on March 1, 1945, for the establishment of food stores.

Offering—The price is $20 per share.

Proceeds—Funds from sale of shares are to go into capital account for acquiring store fixtures, inventory and working capital.

Underwriters — No underwriting. Sales will be conducted by members and officers to prospective members.

Registration Statement No. 2-5853. Form S-12. (8-2-45).

THURSDAY, AUG. 23

LANE BRYANT, INC., has filed a registration statement for 42,526 shares of 4½% cumulative convertible preferred stock (par $50) and 70,876 shares of common to be reserved for conversion of the preferred.

Address—16 West 40th Street, New York, N. Y.

Business—Specialist in apparel for stout woman and maternity apparel, etc.

Offering—The company is offering 12,312 shares of the new preferred in exchange for 7% preferred outstanding on the basis of two shares of 4½% preferred for one of 7% preferred with a cash adjustment on dividends. The balance will be offered to holders of common stock at the rate of one share of preferred for each six shares of common. The subscription price will be filed by amendment. Although all of the 42,526 shares are to be offered to common stockholders, the holders of 73,872 shares of common waived their preemptive rights in order to permit the exchange offer to preferred stockholders.

Proceeds—The company will call for redemption any of the 7% preferred not exchanged. The balance of the proceeds will be available for general corporate purposes, including the opening of new stores in Pittsburgh and Philadelphia, and the moving of stores to new locations in South Bend, Ind., Detroit, Kankakee and New York City.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane is the principal underwriter.
Registration Statement No. 2-5854. Form A-2. (8-14-45).

ARIZONA POWER CO. has filed a registration statement for 12,000 shares of 5% cumulative preferred stock, par $100. The shares constitute all of the issued and outstanding preferred shares and are being sold by James C. Tucker, President and Director, the founder of the company.
Address—107 North Cortez Street, Prescott, Arizona.
Business—Public utility.
Offering—The price to the public will be filed by amendment.
Proceeds—The net proceeds will be received by Mr. Tucker who, as nominee of Arizona Power Corp., a predecessor company, provided the funds required to redeem all of the outstanding shares of preferred stock of Arizona Power Corp. Mr. Tucker became the owner of the shares called for redemption and under a consolidation of Arizona Power Corp. and Arizona Electric Power Corp. into Arizona Power Co. to be effected Aug. 20, 1945, is to receive 12,000 shares of Arizona Power Co. preferred in exchange for the shares of preferred stock of the predecessor company acquired by him. In effect the proceeds received by Mr. Tucker will reimburse him in part for his advance of funds for the purpose of redeeming the preferred stock of the predecessor company.
Underwriters—Central Republic Co., Inc., heads the underwriting group.
Registration Statement No. 2-5855. Form S-1. (8-4-45).

SATURDAY, AUG. 25

CONSOLIDATED BISCUIT CO. has filed a registration statement for 60,000 shares $4\frac{1}{2}\%$ convertible cumulative preferred stock, par $20.
Address—1465 West 37th Street, Chicago, Ill.
Business — Manufacturer of crackers, cookies, etc.
Offering—The offering price to the public is $20 per share.
Proceeds—The company expects to use the proceeds estimated at approximately $1,080,000 for the purpose of enlarging its Chicago and West Roxbury, Boston, plants, for the purchase of additional machinery and equipment, and for working capital. The company anticipates that the additions to its Chicago plant will enable it to increase its production capacity at that plant by approximately 80% as to bakery goods, and by approximately 300% as to candy, and to double its production capacity of bakery goods at its West Roxbury plant.
Underwriters—The principal underwriters are F. S. Yantis & Co., Inc., and Dempsey & Co., both of Chicago.
Registration Statement No. 2-5856. Form S-1. (8-6-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ACF-BRILL MOTORS CO. on June 30 filed a registration statement for $190,464\frac{1}{2}$ 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.

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 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.

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 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.
Details—See issue of July 5.
Bonds Awarded—Aug. 6 to Mellon Securities Corp. and associates on bid of 100.5599 for a $3\frac{1}{2}\%$ coupon.
Offered Aug. 8 at 102.17 and interest.

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 $4\frac{1}{4}\%$ cumulative convertible preferred stock to exchange their stock, share for share, for the new preferred. The underwriters have agreed to purchase any of the 250,000 shares of preferred not issued in exchange for outstanding preferred. Company will call any of the old preferred at $105 per share plus accrued dividends.
Underwriters—Kidder, Peabody & Co. and First Boston Corp. are named principal underwriters.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).
Details—See issue of June 21.
Offering—Price to the public is given as $35 per share.
Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.
Details—See issue of April 26.
Offering—Price to the public is 30 cents per share.
Underwriters—None named. The company proposes to market its own securities.

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.

GASPE OIL VENTURES, LTD., on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.
Details—See issue of May 17.
Business—Exploration and development of oil wells.
Offering—Price to the public is 60 cents per share. The underwriter will receive purchase wararnts for the purchase of 2,000 shares of common for each 15,000 shares of common stock sold in the offering at a price of 45 cents per share.
Underwriter—Tellier & Co.

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.
Bonds Awarded Aug. 6 to Halsey, Stuart & Co., Inc. and associates on bid of 101.66 for a $3\frac{1}{8}\%$ coupon.

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.
Withdrawal request filed Aug. 4.

O. K. CO-OP RUBBER WELDING SYSTEM on June 12 filed a registration statement for 500 shares, par value $1,000 designated as "participating members shares" and 800 units of $500 each of preferred 7% debenture certificates.
Details—See issue of June 21.
Offering—The securities are to be sold at their par or face value to the owners and operators of O K Tire Servicing Stores and to employees, customers and suppliers of the trust and of the several businesses being acquired by the trust.
Underwriting—None named.

PACIFIC GAS & ELECTRIC CO. on May 4 filed a registration statement for 700,000 shares of common stock (par $25). The shares are owned by the North American Co. which is offering them.
Details—See issue of May 10.
Awarded May 22 to Blyth & Co., Inc. at $36.76 7/10 per share.
The SEC on May 23 refused to approve the bid, stating that competition had "been stifled."

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of $4\frac{1}{2}\%$ 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 OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).
Details—See issue of June 7.
Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.
Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial $4\frac{1}{2}\%$ 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 13,056 shares of Class A 5% cumulative preferred stock, par $100.
Details—See issue of March 8.
Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.
Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion.
The company also proposes to refund the $4,806,000 first mortgage bonds, $4\frac{1}{2}\%$ series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. The bonds will be sold at competitive bidding.

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.

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for $2,375,000 first mortgage bonds, $3\frac{3}{8}\%$ series due 1975; 8,500 shares $4\frac{3}{4}\%$ 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.

UNIVERSAL CAMERA CORP. on March 19 filed a registration statement for 663,500 shares Class A common stock, par value one cent a share, with Class A common stock purchase warrants. Of the total 530,500 are issued and outstanding and are being sold by certain stockholders.
Details—See issue of March 29.
Offering—The initial offering price is $5 per share. Of the 133,000 shares being offered for account of company, 20,000 are to be offered to employees at $4.25 per share. Shares not subscribed for by employees will be sold to public through underwriters along with the rest of the public offering. For every ten shares of common stock bought, purchasers, other than employees, will receive warrants to subscribe to one share of common stock, at $5 per share, on or before Dec. 31, 1948. Employees will receive such warrants for each five shares of common stock purchased.
Underwriters — Floyd D. Cerf Co. is named principal underwriter.
Stop Order Action—The SEC on June 29 dismissed the stop order proceedings commenced April 10, 1945. In its opinion the Commission said it is satisfied that the amendments subsequently filed by the company substantially correct the deficiencies cited in the notice of the proceeding except those relating to the warrants.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 622)

market by watching such stocks and act accordingly. Leader strength at the end of the day, usually the after-run on the ticker, could be counted on to repeat during the third trading hour of the following day. Closing strength during the closing minutes of a holiday eve followed by opening strength on the next market day frequently signalled a top. The reverse was true on reactions. A sharp break on closes followed by a low opening on the first market day after a holiday was often the signal for a turn-up. Latter was particularly applicable if between the two market sessions news of a serious nature occured. The turn-up, under a news influence, didn't come right away. It usually turned into dullness and after a few days to a few weeks of such action the reversal came.

* * *

An immediate analogy can be seen in the recent action prior to and immediately after the British election news. You will recall that for weeks before the election stocks were either hesitant or reactionary. A temporary top had been signalled. On the election news they broke wide open. All sorts of news began circulating in the market. But despite deep pessimism individual issues stood firm and some even managed to go up. It is during such periods that new buying is best done. Of course buyers must place limits under which they will not carry stocks. But the danger of taking severe losses in such periods is usually smaller than attempting to buy them when everybody else is of the same mind.

* * *

Last week I suggested the purchase of four additional stocks (you already held two). Two of the four were available; two were not. Of the former Chicago and North Western was bought at $40\frac{1}{2}$ with a stop at 37. Jones & Laughlin's range appeared mistakenly as "buy between $24\frac{1}{2}$ and $25\frac{1}{2}$; stop at 23". As those ranges were ten points away from Thursday's ranges it was obvious that lower figures were typographical errors. Prices should have read, $34\frac{1}{2}$-$35\frac{1}{2}$; stop 33. Stock got under 35 so I'm assuming it was obtained. Paramount at $29\frac{1}{2}$-$30\frac{1}{2}$, stop $28\frac{1}{2}$, was not obtainable. Neither was Atlantic Coast Line $65\frac{1}{2}$-$66\frac{1}{2}$ stop, 64. Repeat both. Old stocks held are U. S. Steel, stop 65; A. M. Byers, stop 16, and White Motors, stop 28. There is no change in these positions.

* * *

E. H. H., Lima, Ohio: Speculators cannot force Dow indications because they don't work together and to have both averages confirm each other would take an enormous sum and even then success would be doubtful. Manipulation for the purpose of moving all stocks in the averages is completely impracticable. Floating supply must be taken into consideration and presupposes agreement with large holders and company officials.

* * *

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.*]

Daniel Sullivan

Daniel Sullivan, Boston broker and former member of the New York Stock Exchange, died at his home in Newton Center, Mass. As a young man, Mr. Sullivan was employed by Charles Head & Co., investment bankers, later becoming a member of the firm and purchasing a seat on the New York Stock Exchange. After the firm was dissolved in 1918, Mr. Sullivan devoted his time to his own investments and those of his family.

With Slayton & Company

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Virginia D. Knesz** and **Earl V. Olson** are now with **Slayton & Company, Inc.**

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market made progress on the upside with somewhat increased volume until Tuesday, when it turned soft, as the possibility of an early ending of the war again became an important market factor. . . . Contributing to the uncertainty was the increase announced by the Chase National Bank of New York, in the dealers' loan rate, on short Governments, from ½ of 1% to ⅝ of 1%. . . . The decline was due more to a marking down and pulling of bids than to the pressure of liquidation. . . .

The whole market went off and practically all of the gains that had been made since last Thursday were given up. . . . The partially exempt issues were heavy and declined more than the rest of the list. . . .

SENSITIVE

The market is confused and jittery at the present time, and no doubt will be very sensitive to both international and domestic developments. . . . Nevertheless these uncertainties will pass, and with low money rates a necessity, advantage should be taken of price recessions to pick up obligations that meet one's needs. . . . There are a number of price and yield discrepancies in the market at present which afford an opportunity to rearrange maturities and at the same time improve income. . . .

It is during times like this that discriminating investors made good use of price movements to better the position of their holdings. . . .

CLAMPING DOWN

Borrowing, buying and trading of Government securities by individuals, financial institutions and corporations will be stopped by the "Federal Authorities." . . . It is reported that the cause for such action has been the trend of borrowings and Government bond prices from the end of the Sixth to the end of the Seventh War Loans. . . . A study of borrowings from the Federal Reserve Banks, shows that discount and advances reached a low of about $30,000,000 on January 3, 1945, with a steady uptrend to February 28, 1945, when they amounted to $321,000,000. . . . During that period the "Central Banks" holdings of bills increased $790,000,000, and certificates $30,000,000. . . . Notes were off $8,000,000 and bonds declined $107,000,000. . . . From January 3 to February 28, the bank eligible taxables advanced sharply, led by the 2½% due 1956/58, which went from 103 21/32 to 105 13/32, and the 2½% due 9/15/67/72 which advanced from 100 20/32 to 102 9/32. . . . All of the 2s, from 9/15/50/52 on, moved ahead more than a point with the December and June 2s showing the largest gains, going from 100 10/32 to 101 23/32 and 100 15/32 to 101 25/32 respectively. . . .

The last four partially exempts advanced more than a point during this period with the largest gain being made by the 2¾% due 12/15/60/65, which gained 1 21/32. . . .

Every one of the restricted bonds during this time advanced more than a point, as the 2¼s due 1956/59 led the move going from 100 23/32 to 102 13/32. . . .

Discounts and advances declined the next two weeks, with only minor changes being reported in Federal's holdings of Government securities. . . . The Government bond market was practically unchanged. . . .

STARTING POINT

By March 21, 1945, discounts and advances had declined to $193,000,000, which was the starting point of a substantial upward move that reached a peak and an alltime high on June 6, 1945, when they mounted to $912,000,000. . . . During that period the Federal Reserve System increased its holdings of bills by $853,000,000 as certificates declined $23,000,000. . . . Notes advanced $592,000,000 due to the refunding of the June certificates and HOLC 1½s with 0.90% notes. . . . (For practical purposes this short note may be regarded as a certificate.) . . . Bonds were off $19,000,000. . . .

From March 21 to June 6, the issues that could be bought by the Commercial Banks, did not show too substantial a mark up with the exception of the two longest taxable obligations. . . .

The 2½% due 9/15/67/72, was by far the best performer, advancing from 102 7/32nds on March 21, to 104 22/32nds on June 6, a gain of 2 15/32nds. . . . The 2½% due 1956/58 moved ahead during that time from 105 15/32nds to 106 24/32nds, an increase of 1 9/32nds. . . . The 2s shows gains ranging from 26/32nds for the 2s of 12/15/52/54, down to 2/32nds for the 2s due 6/15/49/51. . . . The long partially exempts during this period were unchanged to only ¼ of a point higher with the 2¾% due 1960/65 making that advance. . . . The restricted bonds advanced from ¼ to ⅝ of a point, with the exception of the 2¼% due 1956/59 which from March 21 to June 6 went up 2 4/32nds. . . .

Because this bond is the first of the restricted obligations to be eligible for bank purchase, it was heavily bought in anticipation of this. . . .

DOWN THE LADDER

From June 6th to August 1st discounts and advances declined from $912,000,000 to $399,000,000 a decrease of $513,000,000. . . . The low in borrowings since June 6, was on July 3, when they totalled $73,000,000. . . . From June 6 to August 1, the Twelve Federal Reserve Banks bought $208,000,000 of bills, $732,000,000 in certificates, and $40,000,000 in notes. . . . Bonds were unchanged. . . .

Prices of the bank eligible taxables, from June 6 to their 1945 highs, which were made between July 2 and July 16, showed only small advances, with the exception of the 2½s due 9/15/67/72 which again led the uptrend with an increase of 1 1/32nd. . . . The 2½s due 1956/58 were up 30/32nds. . . .

The 2s showed gains of ¼ to ⅜ths of a point. . . . The last four partially exempts went ahead from ¼ to ½ point. . . . The restricted bonds advanced ⅝ of a point, except for the 2¼% due 1956/59, which led the entire Government bond list with a gain of 1 7/32nds. . . . Since the middle of last month, the whole list has been on the defensive, particularly the longer term obligations. . . .

PRINCIPAL CONCERN

This study indicates that the point of concern to the monetary authorities has been the marked trend toward the longer term issues, both the bank eligibles and the restricted obligations. . . . This has taken place largely through borrowings and the sale of short-term low coupon securities to the Federal Reserve Banks. . . . The reported action by the money managers has tended to curtail somewhat the demand for the long bonds. . . . On the other hand it has not resulted in any great rush to buy the short terms. . . .

There is considerable question whether a change in the discount rate alone will substantially and permanently affect the demand for the long term bonds. . . . It is believed that in order to accomplish this, there must also be a change in the method of financing the deficit. . . .

Relax Restrictions on Currency Imports

(Continued from first page)

No. 5 on the importation of securities issued or authenticated in the United States or Canada subsequent to Dec. 7, 1941, since the likelihood that any securities issued in the United States or Canada after the outbreak of war could have been looted by the enemy is relatively remote.

These changes were in the form of an amendment to General License No. 84 of the Treasury Department.

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