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London Comment

By HERBERT M. BRATTER
(Special Cable Dispatch)

Meeting of International Chamber of Commerce—The End of Lend-Lease Aid to Britain—UNRRA's Prospective Resources Exhausted—Lord Keynes Continues as British Treasury Adviser.

Herbert M. Bratter

LONDON, ENG., Aug. 15—Arriving in London for the opening meeting of the International Chamber of Commerce Council, Winthrop W. Aldrich, Chairman of the Chase National Bank of New York, told the representative of the "Chronicle" "that it is very important that this meeting is being held now and that business men should get together to foster trade and prepare to cooperate with the Social and Economic Council of the United Nations Organization." "Our immediate task here," he said, "is

(Continued on page 745)

Impact of the National Debt Upon Banks and the Capital Market

By SIMEON E. LELAND*
Professor of Government Finance, University of Chicago

Dr. Leland, Continuing His Analysis, States That Government Securities Will Dominate Investment Market. As Principal Borrower, Government Will Be in Position to Control Interest Rates, and Lower Rates on Governments May Be Expected Because of Banks' Large Holdings. Holds That Banks, Though Relying on Governments for Income, Can Extend Commercial Credits Because of Their Liquid Position, and That "Ample Credit Will Be Supplied." Sees No Early Debt Redemption.

PART II

Investment, Private Borrowing and Interest Rates

Prior to World War I, public securities held a relatively unimportant place among the debt instruments used to finance both the public and private economy of the United States. In 1916, the total debt instruments, public and private, then outstanding, amounted to about $75,000,000,000, of which less than $6,000,000,000, or 7.8%, were composed of Federal, State and local securities. Private debt obligations, long- and short-term made up of corporate bonds, farm and urban real estate mortgages, debentures, etc., but excluding

Simeon E. Leland

*This is the second and concluding part of Professor Leland's address before the Mortgage Bankers Farm Seminar, Purdue University, Lafayette, Ind. The first section was published in the "Chronicle" of Aug. 9th.

(Continued on page 752)

Full Employment And Government Spending

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

Senator Taft Approves Feature of Wagner "Full Employment" Bill Which Provides for Comprehensive Planning and Thought by the President and Congress on Future Economic Conditions, but Disapproves of the Provisions for Unlimited Government Spending to Attain Full Employment. Says "Most Necessary and Immediate Step" Toward Prosperity Is to Restore Freedom to Individuals and Business, and Decries Government Spending and Increase in Public Debt as Leading to Centralized Power Without Remedying Depressions. Wants More Liberal OPA Policy.

No Congress has done more work in seven months or work of more outstanding importance than the Congress which has just adjourned. But in our absorption in foreign affairs and foreign nations we have almost completely neglected the vital domestic interests of the people of the United States. When Congress returns it should undertake a systematic planned legislative program designed to bring about progress, prosperity

Robert A. Taft

*An address by Senator Taft over the Columbia network on the radio program series "Congress Speaks," Aug. 7, 1945.

(Continued on page 759)

N. Y. Cotton Exchange Has Diamond Jubilee

Largest and Oldest Organized Exchange for Cotton Futures Trading Marks 75th Anniversary on August 15. The "Chronicle" in Issue of Sept. 24, 1871, Notes That Its Establishment Was Effected After Long and Patient Discussion. Importance of Exchange's Facilities for Hedging Emphasized.

William H. Koar
Present Head of
NY Cotton Exchange

Stephen D. Harrison
Exchange's First
President, 1870

On Aug. 15 the New York Cotton Exchange celebrated its 75th birthday. When organized in 1870, it was the pioneer as well as the largest organized cotton exchange in the world, antedating those of New Orleans and Liverpool.

For many years prior to the Civil War, cotton marketing had been carried on by the simple method of private transactions between buyers and sellers. The large risks in sudden price changes involved in this method were then to a large degree offset by the prevailing wide margins between the price of the product on the farm and the

(Continued on page 742)

Some Federal Reserve Officials On Gold and Fiat Money

By WALTER E. SPAHR

Professor of Economics, New York University, Executive Secretary, Economists' National Committee on Monetary Policy

Professor Spahr Quotes Extracts From the Testimony and Writings of Marriner S. Eccles, Beardsley Ruml, and John H. Williams as Giving the Observations and Doubts of Federal Reserve Officials Regarding the Validity or Usefulness of Gold as a Monetary Standard. Holds Their Views in Respect to the Alleged Unimportance of Gold in Our Currency System Are Counter to the Teaching of Experience and Opposed to the Conclusions of Careful, Objective and Reputable Scholars and Remarks That One Rather Expects to Find Monetary Demagoguery in Congress Than Among Men Holding Key Positions in the Federal Reserve System.

Dr. Walter E. Spahr

Some high officials of the Federal Reserve System have recently made some observations regarding the lack of value or usefulness of gold that deserve attention. Considering their authorship, the views expressed are disturbing. As the following quotations will reveal, they are, in their essentials, neither advanced, nor new, nor enlightened. Instead, they are old and fallacious and dangerous — as old, as unsound, and as dangerous as inconvertible paper money itself.

Eccles' Views

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, said at hearings before the Committee on Banking and Currency, United States Senate on S. 510 (Feb. 20, 28, and March 7, 1945): "We are the only country left that still has the archaic idea of maintaining a gold reserve back of the currency" (p. 18). He said further: ". . . Gold is not needed for domestic circulation; and it is needed as reserves against notes and deposits only to the extent that we choose to impose requirements on ourselves. The British, the Canadians, the French, and others have eliminated required reserves altogether."

Senator Murdock of Utah asked Mr. Eccles: "Do you advocate, Governor, that we could very well in this country suspend the reserve requirement altogether?"

(Continued on page 748)

Kenneth Campbell Is With Buckley Bros.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Kenneth E. Campbell has become associated with Buckley Brothers, 530 West Sixth Street. Mr. Campbell was previously with Quincy Cass Associates and prior thereto was an officer of Fox, Castera & Co.

Rejoins Conrad, Bruce Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William C. Walker has rejoined with Conrad, Bruce & Co., 530 West 6th Street. Mr. Walker in the past was with White, Wyeth & Co., and was trading manager for Conrad, Bruce & Co.

"How Can We Avoid Another Depression?"

Stenographic Report of Theodore Granik's "American Forum of the Air" in which Robert Nathan, Leon Henderson, George Terborgh and Dr. Emerson P. Schmidt Give Their Views on a Reconversion Program to Avoid Post-War Depression

Theodore Granik

Robert R. Nathan

On Aug. 7, on the American Forum of the Air, founded 17 years ago by Theodore Granik, Washington attorney and moderator, four prominent economists discussed the question, "How Can We Avoid Another Depression?" Those participating in the discussion were Robert Nathan, Director for Reconversion, Office of War Mobilization and Reconversion; Leon Henderson, former OPA Administrator and Chief Economist, Research Institute of America; George Terborgh, Research Director, Machinery and Allied Products Institute, and Dr. Emerson P. Schmidt, Director of Economic Research, United States Chamber of Commerce. Because of the timeliness of the subject, the "Chronicle" prints below the stenographic report of the discussion:

Chairman Granik: Good evening.

If the Japanese War should end tomorrow, would a depression be inevitable? In economic circles, at business conferences and in government, this question is far from hush-hush.

There are experts who say, "Yes, we have failed to plan for emergency reconversion of our war plant to peace; therefore we must suffer the consequences of economic chaos."

There are others who believe firmly that American business ingenuity can avoid chaos if only given a free hand.

In various agencies of government, reconversion has become the problem of the immediate future.

Already the issues are being outlined; groups are beginning to assert themselves and the world of tomorrow is taking shape. Must

(Continued on page 755)

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A Champion Needed!

New NASD By-Laws Should Be Challenged and Legality of Maloney Act Determined. Public Welfare and That of Securities Industry Adversely Affected by Onerous Regimentation. Opportunity for Existing Voluntary Associations or Individual Dealers and Brokers to Come to Aid of Investment Industry. Public Temper Requires Immediate Action.

For the public and for the securities industry it was a sad day when the Maloney Act became a law for this gave birth to the National Association of Securities Dealers.

Prior to the passage of the Act, during the course of legislative hearings, great doubt was expressed concerning its feasibility and its effect upon our free institutions. It is now plain in the light of NASD performance that these fears were sound.

We were about to say that the National Association of Securities Dealers had outlived its usefulness. On second thought, we believe this body never had any genuinely useful purpose.

As now, so prior to the Maloney Act, the duty to police fraudulent and manipulative acts and practices and to promote just and equitable principles of trade was within the jurisdiction of the Securities and Exchange Commission.

The partial siphoning off of those duties to the NASD via the Maloney Act and the NASD methods of regimentation have been repeatedly criticized by us. Our position remains unchanged and is reemphasized at this time because of the daring and insolent package party that the Governors handed the member firms in the vote on the recent amendments to the NASD By-laws.

Emphasizing only the then proposed new article dealing with registered representatives, the Governors horned in—without a separate opportunity on the part of the members to vote thereon—a new amendment to Article VII, Section 1 of the By-laws permitting the Board to submit in the future to the member firms and their representatives alleged rules of fair practice "to provide safeguards against unreasonable profits or unreasonable rates of commission or other charges * * *."

The failure to afford member firms of the NASD an opportunity to vote separately on the By-law amendments dealing with separate subject matters is an offense which cannot be readily forgiven, an offense which, as we pointed out in our recent editorial, should render nugatory the whole proceeding. This, the SEC still has an opportunity, nay, a duty, to do.

In the matter of "The Rules of the National Association of Securities Dealers, Inc.," certain issues were raised by the petitioner, the Securities Dealers Committee, which are par-

(Continued on page 738)

The Capital Levy Plan for the Redemption of National Debts

By A. M. SAKOLSKI

Writer Refers to Previous Proposals and to Hugh Dalton's Plan to Extinguish National Debts by Heavy Levies on Private Property, and Points to Recent Proposals of the French Provisional Government as a Recrudescence of the Idea. Holds That Though Theoretically It Is Ideal in Its Application, It Is Highly Inequitable and Difficult to Apply in Practice. Sees Grave Danger of Currency and Credit Disturbances as Well as Other Economic Disruptions in Excessive Taxation on Wealth.

A. M. Sakolski

After each of the long and protracted wars of the last two centuries, there have followed long and controversial discussions of the accumulated national debts that have arisen from the conflicts. After the Napoleonic wars the burden of the British national debt was regarded as a serious economic problem. Even the renowned classical economist, David Ricardo, argued that means should be taken for its drastic reduction, and he even went so far as to recommend a sort of general levy on wealth to eliminate it.

After our own Civil War there were some dire forebodings regarding the accumulated national indebtedness, and in scattered niches of political comment there were even recommendations for some form of repudiation. It was proposed that the "bloated bondholders" should be forced to forego payments of interest and principal in gold as they had been promised, and instead, depreciated "greenbacks should be forced down their throats." In 1869 Isaac Butts, an upstate New York politician and one-time editor of the Rochester "Daily Union and Advertiser," wrote a pamphlet with the bold title "*Brief Reasons for Repudiations Applic-*

(Continued on page 744)

Bull Stampede—Accent on Inflation

By EDSON GOULD
Smith, Barney & Co.

Security Analyst Holds That Logic Behind the Market's Bullish Interpretation of the End of the Japanese War Is: (1) Change of Government Policy From Rigid Regulation of Business, (2) Probability of Early Tax Relief, and (3) a Peacetime Yield Ceiling on Stocks of 3% Against a Wartime Yield of 4%. Contends Long-Range Outlook for Market Is Bullish, and That "a Fully Invested Position Seems Warranted at This Time."

Edson Gould

There is logic behind the market's bullish interpretation of the termination of the Japanese war for these reasons:

(1) A quick war-ending will necessitate governmental encouragement of business and profits, will not permit time for experimentation with rigid business regulations and restrictions.

(2) Tax relief will thereby become an immediate prospect.

(3) The yield ceiling for stocks in peacetime is around 3% vs. about 4% in wartime. Dow-Jones Industrial equivalents are 225 and 170, respectively. Thus with peace the scope for advance for the market would be materially increased.

Governmental Policies

The chief reason for a cautious attitude toward the stock market

(Continued on page 739)

British Elections and The Stock Market

Mr. Babson Discusses Importance of Churchill's Defeat on Stock Prices

BABSON PARK, MASS.—When Churchill's defeat was announced by radio, the stock market started to crumble. When, however, investors began to realize that it would take years for England to get its socialistic plans into action and perhaps then would fail to succeed, these same people began to buy back securities. The market has since returned to normal. There are several reasons for this.

England Sure to Inflate

I have long thought that inflation is inevitable; in fact it is going on every day. Nothing can stop it except a great spiritual awakening which will cause us to put the good of all before our own selfishness. I, however, now see no sign of this. Hence the United States is headed for higher prices, higher wages, higher rents and higher stock values. The people of the world are "on the march" demanding inflation.

Roger W. Babson

I am more sure of this than ever since the Labor Government of England won by such a large majority. This will enable them to take over the Bank of England and issue all the money they need for their socialistic experiments. Whether or not these will be a success, no one now knows. Russia is still in the test tube, notwithstanding what her friends say. But for the next few years, while the experiment is being tried, jobs should be plentiful and money should flow like water. Stocks should sell higher, not only because of their intrinsic merit, but because wise Englishmen will shift from their English stocks to American stocks.

Stocks Not Too High

Compared with panic prices of ten years ago, the stock market now seems high to many conservative people. This is because the stock average was only 30 in 1932 compared with 110 today. Yet, only as far back as 1937, these same stocks sold at about 130, while in 1929 they sold for 280. With the British Government and the Bank of England backing inflation, some stocks may well again sell at 1929 highs.

"What should I buy?" you ask. Well, the safest procedure is to diversify among a wide list, buying the leading stocks in fifteen or more industries, omitting the rails, airplane manufacturing and shipping stocks. If you pinned me down to three groups I should advise the **Merchandizing Group**, especially the variety chains, the **Insurance Group**, especially the casualty stocks, and well-managed **Real Estate**. These are the groups in which I am investing my own money.

Billions Awaiting Investment

Fifty-five years ago there were only about one or two billions of "loose change" in pockets and cash drawers. It took about fifty years to build this up to seven billions. During the past five years this loose change has jumped from seven billions to twenty-eight billions! This means it has quadrupled in five years. During this same five years bank deposits have doubled and are now over $100,000,000,000.

This nearly equals the assessed values of every acre of land and every building of every kind in the entire United States. When one considers that there are no more securities available for purchase than there were five years ago, it seems as if higher prices for stocks and land are inevitable. Sooner or later this loose change is going to seek investment. Churchill's defeat should hasten the day.

Low Interest Rates

Let us consider interest rates. It was not long ago that government bonds paid over 4½%; savings bank accounts paid 3½%; while we got 2% on our checking accounts. Today these interest rates are down to 2%, 1% and zero,—lower than ever before in the history of the world.

Yet anyone can buy today good corporation bonds to yield 3½% and good stocks to yield more. People should soon get tired of leaving their money idle in the banks at 1% or at no interest when they can get so much more from good securities. When the public realizes this, the demand for good dividend-paying stocks should greatly increase.

Advice to Young People

One thing which I must mention in closing is this:—The British elections will cause most of Europe to follow with socialistic experiments. The movement will temporarily cast its shadow on the United States. This means that every family should own a little fertile land and every young person should become an expert in some profession, art or trade.

Guy MacVicar Joins North American Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Guy M. MacVicar has become associated with North American Securities Company, Russ Building. Mr. MacVicar in the past was with Lester & Co. and prior thereto was in charge of the Los Angeles office of Distributors Group, Inc.

Sees No Large Unemployment

Ira Mosher, NAM Head Asserts That a Very Small Percentage Need Be Out of Work More Than Thirty Days. Says Reconversion Already Under Way and Employment in Manufacturing Will Not Drop Below 1939.

Jobs—lots of them—for the nation's peaceful millions were forecast on Aug. 16 by Ira Mosher, President of the National Association of Manufacturers.

Ira Mosher

"No one can look at the needs and wants of Americans at peace without realizing that it will take tremendous manpower to produce, distribute and service the goods that people everywhere want to buy," said Mr. Mosher.

"The needs of other nations are even far greater than our own," he continued, "and America already is looked to for the materials that will rebuild the devastated areas of other parts of the world. We can't manufacture and distribute goods without workers, and it is my firm conviction that production for peace is going to produce just as prosperous, and a far more satisfactory and stable economy, as did production for war."

Mr. Mosher made it clear that in the transition period from war to peace production many workers in many industries would be faced with problems of adjustment, but he predicted that a very small percentage need be out of work for more than 30 days.

He said he based these forecasts, not on guesswork, but on the results of a survey recently conducted by the NAM among 1,700 of its 13,000 member companies, as well as upon Department of Commerce reports that 7,000 industries anticipated spending $9 billion for new plants and other improvements for peacetime production.

"Even at that period of reconversion when the most people are out of work," said Mr. Mosher, "employment in manufacturing will not drop below that of 1939."

He emphasized that manufacturing, alone, would supply only about one quarter of the nation's jobs, but pointed out that production in factories was the key to scores of other types of jobs in transportation, wholesaling, retailing and services, as well as the principal factor in the markets for the products of the farm.

The NAM survey upon which Mr. Mosher based his predictions revealed that 61% of our manufacturing concerns have practically no reconversion problem and will face no delays on that account. Furthermore, only 11% of all manufacturers will require more than 30 days to get started on peacetime production.

The great majority of layoffs due to reconversion will involve unemployment of very short duration—varying from one day to four weeks. The number of workers who might be unemployed for more than 30 days amounts to less than 1½ millions, according to the survey.

A careful analysis of the time required to reconvert in situations where the changeover will take more than 30 days, indicates that most of these 1½ million workers will be back on the job within 12 weeks from the start of reconversion.

Government figures on the number of employees in manufacturing reveal the fact that employment in this field has already declined from the wartime peak by approximately 3 million persons. This means that a large part of the readjustment in industrial jobs has already taken place. The government records show 17.2 million employed in manufacturing at the peak of war production in November, 1943. This total was down to 14.6 million by V-E day and has declined further since then.

Estimates of post-war employment in manufacturing range between 14 and 15 millions based on the NAM survey, which included the post-war plans of more than 1,700 companies. The fact that recent employment figures came so close to the estimated post-war levels in the manufacturing field, suggests that further readjustments in this sector of business will be temporary.

"The employment changes in prospect in the coming months will involve the return of many housewives to the home and a good many young men and women will go back to school," Mr. Mosher predicted. "These will be voluntary withdrawals from industry. Large numbers of patriotic citizens have neglected their homes and education to get into war work and produce materials for our armed forces. The high proportion of these people will find it necessary or desirable to go back to their normal pursuits. On the other hand, thousands of war veterans will be reinstated in their old jobs and many will seek new ones.

"There also will be a shift of workers out of the factory and back to various non-manufacturing industries from which many of them came. Industries such as farming, service industries, trade and some branches of transportation such as the airlines, are widely expected to take up any residual slack in manufacturing employment or any overflow from that source. Small business enterprise and partnerships are expected to increase substantially."

NY Chamber Opposes Royalties to Unions

A warning that the collection of royalty payments by labor unions on the commodities or goods they produce or handle would, if generally applied, create a "super-government" which in time would destroy the American economic system, was sounded in a report that was recently made public by the Chamber of Commerce of the State of New York.

The report, which originated in the Special Committee on Industrial Problems and Relations, urged enactment of the Bailey bill (S. 754) which is designated to end the so-called Petrillo tax on musical records and also would be a bar against the proposal of John L. Lewis, president of the United Miner Workers, to collect a royalty tax of ten cents on each ton of coal mined.

Pointing out that such royalty taxes affect the public's pocketbook the same as a sales tax on manufactured or processed goods, the report said:

"Royalties for the benefit of labor unions' treasuries are really a sales tax for private benefit, and cannot be supported on any ground of public policy. Business in the future will be finding itself subject to a super-government, and the general public paying the bills, while millions of dollars are collected by the unions over which no control whatever is exercised either by the government or by the members of the union.

"If royalty taxes are placed on coal, iron, ore, steel production, tire production and numerous other articles by each union concerned, the collection of royalties will assume such vast proportions that our economic system will be destroyed. Furthermore, as matters stand now, the money collected by unions can be used for new drives for unionization, for financing strike benefits, for political campaigns, for labor lobbiers in Washington, all to an extent which would be against public policy."

Lewis R. Gwyn, Chairman of the committee which drew the report, will ask its approval at the monthly meeting of the chamber.

Dealer-Broker Investment Recommendations and Literature

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

I. C. C. Comment on Transportation Statistics—Memorandum Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

News Review—Current discussion of certain bank and insurance issues—Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y.

122 Non-Callable Preferreds—Statistical tabulation—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

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

Railroad Situations—Three attractive situations—contained in the current issue of **Railroad Securities Quotations**, issued by B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

Twelve Speculative Stocks—Selling between 1 and 10 which appear likely to participate in the return to peacetime economy—Brand, Grumet & Ross, 120 Broadway, New York 5, N. Y.

Also fifteen stocks in the same category selling between 10 and 30.

Aetna Life Insurance Co.—Memoranda—Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn.

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

American Light & Traction—Discussion of stock as a dividend payer—**H. Hentz & Co.**, 60 Beaver Street, New York 4, N. Y.

Also available are a memorandum on **Western Maryland Railway Company**, circulars of **Research Comment** and the **Fortnightly Investment Letter.**

Arden Farms Co.—Circular on growth and outlook—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

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

Avoyelles Parish, La.—Consolidated School District No. 1 non-callable bonds—memo on new issue—John Dane, 516 Canal Building, New Orleans 12, La.

Berkshire Fine Spinning—Descriptive circular—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Also available are memoranda on **Chicago, Wilmington & Franklin Coal, Chicago & Southern Air Lines, Collins Radio, Ely & Walker Dry Goods Common, Kansas City Public Service Preferred and Common, La Plant Choate Manufacturing Preferred & Common, Old Ben Coal Common, Steel Products Engineering,** and **Universal Match.**

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 &

(Continued on page 736)

Public Utility Securities

How Will Atomic Energy Affect the Utilities?

In the "Chronicle" of May 17, 1945 (page 2181) the writer, in a discussion of potential scientific developments which might adversely affect the electric light and power industry, made the following statement: "Only the development of atomic power, in a form adaptable to small household units, would be likely to put the utilities completely out of business. And this is a scientific dream which, even with our present acceleration of engineering progress, seems unlikely for another century or so. All our present devices for dealing with destruction or transmutation of elements (breaking up the atom and remolding it) require huge pieces of apparatus and tremendous application of electric power. Small and inexpensive units producing atomic energy seem out of the question until we have gone a long way further toward understanding what makes nature 'tick.'"

The revelation that our scientists, teamed with British research and supplied with inexhaustible Army funds and resources have solved the secret of mass atomic disintegration, is of vast interest to American business. President Truman in his initial statement indicated that in the indefinite future the new product might replace or compete with coal, hydro-electric power, etc. But obviously the matter of dollars and cents cost is as important as the scientific development of the new power source.

Uranium is a very refractory metal, difficult to obtain in pure form, and apparently not too plentiful. The refining cost is high, and the process of separating the rare and unstable 235-isotope molecules from those of higher weights is perhaps still more expensive. The total cost may well exceed that of obtaining radium (itself a product of the slower breakdown of uranium atoms). If the final product should cost thousands of times as much as coal, it might not be commercially worthwhile to use it in place of coal even though it delivered thousands of times as much energy. Its greatest use would seem to be in aviation, assuming that it could be adapted to replace aviation gasoline; and possibly later in automobiles.

Central power stations would probably be the last to adopt it, since the question of weight-saving would be much less important than in moving vehicles. President Kellogg of the Edison Electric Institute recently stated, "Adaptation of atomic power would cause no change in the transmission and distribution facilities of electric companies, in which the industry has two-thirds of its investments. Even before considering this potential source of energy we must have the following information: First, the cost of producing it compared with the cost of the same amount of energy derived from coal; second, the ability to control the rate of release of energy from the atomic breakdown so as to make practical use of it, and third, the amount of uranium that can be obtained practically."

If the new "fuel" proves to have enormous possibilities for cheap production of electricity, it might greatly accelerate the use of electricity in household appliances of all kinds. If residences could use electricity as cheaply as industry (of course the distribution cost is greater), house heating and air conditioning, with automatic controls, would soon be available to the average home-dweller. Farmers could make increased use of electric power to run their farms and reduce labor costs. While utilities might have to scrap some of their fuel-burning equipment and substitute new apparatus, this could be done gradually. The cost of scrapping obsolete facilities could probably be met from the increased amount of business in residential distribution.

The utilities might lose some industrial and commercial business as smaller sized units become available for generating electricity from the new fuel. But it seems highly unlikely that home owners would want to use the new "fuel" in their own homes to produce electricity because of its dangerous character and the heavy cost of apparatus designed to use it. We don't use explosives to run the family furnace, despite the fact that they could deliver many times the amount of energy obtainable from the same weight of coal, and for the same reasons we would not want to employ a super-explosive.

It is possible, of course, that further research will open the way toward use of other heavy metals instead of uranium, as a source of intense heat through atomic disintegration. But most of the very heavy metals are rare, with the exception of lead,

(Continued on page 757)

Tomorrow's Markets Walter Whyte Says—

Short-term indications point to revival of strength. Long-term signs are either completely confusing or flatly bearish. Until stocks held break critical levels, retention is advised.

By WALTER WHYTE

When last week's column was written there was no indication of any of the three pieces of news which developed before the week was over. Russia's entrance into the war wasn't so surprising as some believed. Before V-E Day James Byrnes, in a reply as to when he thought the Soviets would come in, said: "Ninety days after V-E Day." It was that number of days exactly that Stalin declared war against the Nips.

* * *

The Jap peace talk was another piece of news which came late last week. But that, too, could not be classified as completely unexpected. The

(Continued on page 735)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 734)

only real unexpected event was the atomic bomb. And what effect that will have on security markets is impossible to foresee.

* * *

I recall from my college physics how my instructors used to weave fantastic forecasts if, as and when the atom was split. Well, we did it. And now the fairy stories I heard years ago appear closer to realization. But to imagine that either a single corporation or a group of corporations will alone benefit from this atom splitting shows a gross ignorance of what the whole thing means.

* * *

The first two bombs dropped on Japan were experimental. Their destructive power was terrifying. Yet, that same power now released in a split-second can be harnessed, for peace uses, and released gradually to turn engines, dynamos and other involved mechanisms that make up our modern society. To say that one group or one nation can control such a force is flying in the face of realism.

* * *

We know that Germany was on the eve of the atomic-splitting discovery. We also know that England and Canada have shared in the American research. It is hard to believe that Japan or Russia doesn't have physicists who aren't as close to solving the atomic secret. We just managed to get there a few steps ahead.

* * *

All this leads to the belief that the stock market, up against a cataclysmic change such as it never had to weigh before, doesn't know what to make of it. The public's first impulse is how to profit by it. It immediately jumps on the stocks of the companies who worked on it in the belief that only such companies will benefit. I'm just thinking aloud, but I can't imagine how such fantastic power can be vested in any one company or group of companies. The atomic application makes all present methods completely obsolete. The assembly lines, blast furnaces, everything we have lived with and by, now become extinct. How can the market, which represents mass opinion, gauge its application? In fact, I think that everything the market does from here on will be completely new, with no relation to fact as we know it today.

* * *

But before I scare you into paralysis, allow me to point out that all of the above is long-term in character. For the short-term we still have to use the old yardsticks of market action and reaction.

* * *

Last week we saw the rails take a nose dive while the industrials climbed up. The end of the Jap war was obviously responsible for the rail decline. From the way they were sold Friday it looked as if everybody thought they were war babies. Well, they'll be making less from here on, that's true, but they have such big excess profit taxes that they can take a big cut in gross and still have larger net than they showed up to now.

* * *

In any case, you have Chicago & Northwestern at 40½ and until it breaks 37, hold on. Atlantic Coast Line, bought at 66½ should also be retained, unless the stop of 64 is broken. You also have some industrials which I see no reason to sell. Hold A. M. Byers bought at 19, stop 16; Jones & Laughlin at 35, stop 33; White Motors bought at 29½, stop 28, and Steel at 56, stop 65. Also keep buy order in Paramount at 29½-30½, stop 28½.

* * *

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.]

Municipal News And Notes

Florida Cities Report Favorable Fiscal Status

The Florida "Municipal Record" contains a number of reports relative to favorable fiscal developments in the State's communities. The new budget for St. Petersburg, for example, calls for a slash in operating expenditures of $561,863 and the tax rate for the fiscal year is indicated at 21 mills, a reduction of 4 mills from the previous levy.

The "Sunshine City," it is further noted, has piled up the tidy sum of $1,280,000 in two funds for post-war improvements, thus putting into practice the famed "rainy day" injunction.

* * *

Despite an estimated loss of $65,000 in revenue through failure of the Hialeah race track to operate last Winter, the town of the same name began its new fiscal year on July 1 with a surplus of $52,000. The surplus, according to P. E. Hackney, City Clerk, resulted from the action in putting more than 6,000 lots back on the tax rolls, which yielded about $110,000 in taxes.

The town, it is pointed out, has succeeded in restoring to the tax rolls all but some 30 of the original total of 6,041 lots which had reverted to the State or the Everglades Drainage District for non-payment of taxes. The town acquired the properties at $1 a piece.

Home building has been going apace in the municipality in recent months, more than 100 new structures with FHA financing having been constructed, with 63 being located in one subdivision where only one had existed for some time.

* * *

With three large items added to the tax-exempt list, including the Gandy Bridge, at $834,300, which is now owned by the State, nevertheless, Hillsborough County's 1945 tax rolls show an increase of $4,965,964 over the previous year. Increased valuations on citrus grove properties accounted for most of the increase, according to County Tax Assessor W. S. Sparkman.

Non-exempt property with taxes fully paid advanced in total valuation from $76,917,000 to $78,304,000. Homesteads, however, jumped from $51,225,000 to $57,504,000.

* * *

An increase in assessed valuations of 39% and a reduction in the tax levy for the current fiscal year is the intelligence emanating from Lakeland's Mayor William P. Cade, and City Manager Charles Larsen. The present tax levy of 23 mills includes 17 for debt service and six for operating costs.

City officials indicated that the debt service levy for the new fiscal year may be pared down to 13 mills. The operating levy will not be known pending adoption of the annual budget during the present month.

Georgia's New Constitution Approved by Electorate

A new constitution for the State of Georgia, replacing the 68-year-old document previously in force, was approved by the electorate on Aug. 7. In addition to providing a greater degree of "home rule" for the State's local governments, the new charter of basic laws also provides for the abolition of 1,000 local school districts and prohibits the establishment of any new independent city school systems. Henceforth, the county will be the school unit. Among the provisions of interest to local governments and to dealers and investors in Georgia municipals are the following:

Home rule for municipalities and counties is mandatory. The constitution contains a provision that the next General Assembly must adopt optional forms of home rule and submit them to the various counties and cities for acceptance or rejection in referendums; one of the optional plans must include the initiative, referendum and recall.

Cities and counties are permitted to make zoning laws, eliminating the need for local amendments to the constitution or legislative changes in municipal charters.

Political subdivisions are permitted to contract among themselves for exchange of services.

Bonds may be issued on the approval of a majority of the registered voters in an election.

A 3% additional bonded indebtedness may be contracted for emergency purposes, but it must be retired within five years.

Counties and municipalities may issue revenue bonds to build or acquire electric and gas utilities.

The State Legislature is authorized to provide methods for merging county and city governments.

Real Estate Securities

Park Central Hotel Should Benefit by Peace

Three-fourths of the 1,600 rooms in the Park Central Hotel are arranged in small suites with semi-housekeeping facilities. This feature, we believe should continue to attract capacity patronage.

Lack of housing facilities will be aggravated by returning soldiers and the convenience of a suite of rooms with hotel service will be in great demand.

This type of accommodation will also appeal to out-of-town buyers who will have to prolong their stay in order to have sufficient time to purchase enough merchandise to replenish their much depleted stocks. The suites will give them the opportunity of bringing their families with them.

The bond issue on the Hotel pays 4½% fixed interest and is known as 870 7th Avenue 4½% of 1957. Traded with the bonds is stock representing approximately two-thirds the ownership of the property. The bonds in the amount of $4,055,200 sell at approximately 80% and are junior to an institutional loan of $940,700 (reduced from $1,200,000 since 1942). This loan calls for $130,000 annually for interest (4½%) and amortization with 60% of the earnings after 4½% interest on the bond issue until the loan has been reduced to $900,000. This reduction should be effected this year (eliminating the extra 60% amortization on the 1st mortgage) and sinking fund operations should commence on the bond issue.

Gross earnings in the first half of 1945 was $82,840 lower than year earlier at $1,775,695. However, costs were cut and earnings for the bonds after first mortgage interest but before depreciation and federal income taxes, rose to $416,743 (10.27% on the bonds) from $391,021 (9.64% on the bonds).

The current price of 80 on the bond issue places a value of $3,244,000 for the bonds. Add to this the first mortgage of $940,700, makes a total value for the property $4,184,700 compared to an assessed value of $6,725,000. Original funded debt on the property was $10,878,000.

The hotel, occupying the entire block front of Seventh Avenue between 55th and 56th Streets, New York City, is but a short distance above Times Square with its theatre and amusement district and is easily accessible to the shopping and business sections of the city. Moreover, the buildings are relatively modern and well maintained (erected 1925 and 1927). The buildings are 31 stories high and contain a total of 1,600 rooms. In addition to its other features, the hotel contains a large indoor swimming pool.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 734)

Hano, 39 Broadway, New York 6, N. Y.

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

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

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

Consolidated Gas Utilities and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Crompton & Knowles—Descriptive memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Gruen Watch** and **Textiles, Inc.**

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—Descriptive circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **International Detrola.**

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

Fort Pitt Bridge Works—Memo on attractive outlook—Strauss Bros., 32 Broadway, New York, 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 postwar 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 **Thermatomic Carbon Co.** and a new analysis of **Panama Coca-Cola.**

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

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

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

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

Libby, McNeill & Libby—Interesting possibilities for semi-investment and speculation—Herzfeld & Stern, 30 Broad 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.**

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.

Pathe Industries, Inc.—Study of current situation and post-war outlook—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

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

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

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

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

Riverside & Dan River Cotton Mills, Inc.—Discussion of interesting situation—Scott, Horner & Mason, Inc., Law Building, Lynchburg, Va.

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.

Seatrain Lines "A"—Memorandum—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

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

Also a memorandum on the outlook for **H. K. Porter Co.**

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

Standard Fruit and Steamship Corp.—Discussion of interesting peace prospects of a company operating profitably under war conditions—Pitman & Company, Inc., Alamo National Building, San Antonio 5, Tex.

Stromberg-Carlson Co.—Statistical memorandum—White & Company, Mississippi Valley Trust Building, St. Louis 1, Mo.

Also available are data on **Mid Continent Airlines, Rohr Aircraft Corp., Ampco Metals, Inc.,** and **Pickering Lumber Corp.**

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

Vacuum Concrete Corp.—Memo for dealers only—Pulis, Dowling & Co., 25 Broad Street, New York 4, N. Y.

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.

Operations of FHA in Insuring Mortgages Gained In Year Ending June 30

The Federal Housing Administration's operations in insuring mortgages on existing houses was the largest in volume in five years during the 12-month period ending June 30, Deputy FHA Commissioner Earle S. Draper announced on July 14.

Clarksville, Tenn., Bank Advises Farmers

Urges Caution Against Boom in Farm Prices and Adherence to a "One Crop Program." Points Out Six Tasks Ahead

In its July circular addressed mainly to farmers in its region, the First National Bank of Clarksville, Tenn., gives advice regarding the transition period from war to peace, and urges its clients to be cautious in making commitments "until a trend is developed which will show us with some certainty the way to what we may look on as the normal standards of the future."

"We who live out here in the country, in an atmosphere of plowing and seeding and harvest," runs the circular, "are giving serious thought to the changes which will likely take place at the close of the war. None of us can prophesy with any certainty. Prices of farm products may go up or they may go down. Income in the form of profits from farming operations may be better or it may be worse. Farm land prices can be either higher or lower. There are no accurate footsteps to guide us, so we must make plans to meet any unexpected change that might be unfavorable; and we also must be ready to take advantage of any favorable opportunities which might develop.

"There is only one course for us to follow. We must not speculate. We must not take too many chances. We must be strong in everything that counts as a protection against any business changes that might blow suddenly and forcefully like a tornado.

"We are agreed that when the war is over, and when some of the controls over our lives and markets are removed, that we, as farmers, may find it necessary to readjust our way of living and working, for a period of time, perhaps for several months, until a trend has developed which will show us with some certainty the way to what we may look on as the normal standards of our future. We wonder what normal will be. If we are prepared we can meet whatever changes take place without concern.

"We who live in the Clarksville trade area are particularly fortunate. There are a lot of reasons why we can make these plans for the future with much greater ease and security than can be done by those who live in less favored sections. This makes our responsibility all the greater, and we cannot have an alibi for not being ready.

"So what are the plans that we should make in time of war as a preparation for the coming of peace?

"Here are some of them:

"(1) We must produce this year on our farms, and in our gardens, an abundance of those crops, which we are well qualified to grow, which are needed for the support of the armed forces and which will provide generously for the home-folks now and through the months to come. It may also be our responsibility to share in that portion of relief which our nation must meet.

"Folks who make a business of figuring say that foodstuffs for people will be shorter next winter than in any recent year. They may be right. At least it is a warning. We have felt some local shortages.

"Seasons for the remainder of the growing season may not be favorable. Farm equipment is badly worn and impossible to replace. So we must put out every effort we can to have lots of foodstuffs of all kinds, with our pantries well stocked for next winter; and there must be food and fibre to assure provision and comfort for all who are on active duty at the battle front.

"In our lofts and our cribs there must be hay and corn and other feed for the livestock of all kinds. This has been a wonderful year for hay and smart farmers have been harvesting every week recently. A surplus of livestock feed is barely enough.

"That is our first task.

"(2) We will stick right with this crop program that we call the FOUR PILLARS OF INCOME. Those four crops are real insurance, just like you carry on your life and your buildings. Prices will not decline suddenly on all four crops, and there will not be a failure of all of them in any one year. If one crop should fail, or the prices go down on one, we still have at least three on which we can depend to carry us through safely. In addition we have hogs, and a few on every farm are usually profitable; milking cows, from which a lot of folks are getting a nice income, and chickens, which have been, and are, high in price and scarce. In some years we have seen one of our principal crops fail by reason of bad growing seasons, but the others have always stepped in and held up the farm income so that there was not any distress. We will resolve that we will not be entirely dependent on any one crop for our farm income.

"That is our second task.

"(3) We will pay off the mortgage on the farm. Pay it off in full, while the earnings are good, if we can. At least pay it far ahead, so that it will be absolutely under control. Then if there are lean years ahead of us we will have these payments behind us. There is much independence to be enjoyed through being out of debt. It is a real comfort. For those who find it impossible to get entirely out of debt, who do not owe too much, but who may not be satisfied with present arrangements, this bank is ready to make farm mortgage loans at 4%, to run 25 years, with annual payments, through a large life insurance company. Lewis Pace and Albert Durrett will furnish full information.

"Getting out of debt is our third goal.

"(4) While the profits from farming are good we will set aside a nest egg in the form of a reserve. We will take a part of the surplus and put it in series E and F bonds of the United States Government. We will be prepared for any emergency. We will be ready to make needed repairs and improvements when the lid is off and we can buy what we need at prices we are willing to pay. We will have money for tractors, plows and other farm machinery which we need but cannot get now. We will be ready. Those E and F bonds can be cashed, after 60 days, just like putting a check through the teller's window at the bank. If we keep them through the 10 or 12 years they run we get good interest. There is not another investment which can be bought which we can turn into cash, with a guarantee against loss, when we get ready. The bonds are safe and when we buy we are furnishing money to finish off the Japs. That's worth while.

"So that is our fourth objective.

"(5) What can be more important than a reserve of soil? Right now, while this Soil Conservation Program is being offered by the U. S. Government, we have the opportunity of a life time to get our farm land in tip top shape. It is not a question of not having the money to do the work. This bank is making loans every day to good farmers who are carrying on soil improvement practices. These loans will be paid in the fall when settlement comes for the work done. Lewis Pace and Albert Durrett will be glad to cooperate with reliable farmers who need money to take advantage of this splendid opportunity.

"So that is our fifth job to be performed.

"(6) There is a lot of talk these days about a farm land boom. Many people think that farm lands are getting too high. We must do everything we can to prevent any runaway prices on farm lands. Of course, when a man has the cash money to pay for what he buys, and he gets something that squares him out or takes him to the big road, that is strictly his business, and the price he pays is his own concern. The danger lies in the purchase of farm lands, at high prices, on credit. If the agreed price for a farm is a fair one the purchaser should pay at least one-third in cash, and the balance of the price should be scattered over a period of several years where the signer of the notes can meet them regardless of unfavorable happenings. A boom in farm real estate, with prices getting out of control, is exceedingly dangerous, and usually brings unhappy consequences. In the final consideration the value of a farm depends entirely on what it will produce in the way of money incomes when operated in normal years by a man who knows how to farm.

"That is our sixth responsibility.

"(7) These 4-H Club members and Future Farmers will be the farm owners and operators of tomorrow. We owe them the very best opportunity to make good on their 4-H and FFA projects, and we must encourage them to assume the responsibility of taking on projects which they are capable of carrying successfully. Some times the old folks think that these 4-H and FFA activities are not worth while. That's wrong. One year this bank made over three hundred loans to boys to buy and feed calves. Dads did not sign the notes. The project was a success. Every note was paid in full. Now these boys and girls do not need to borrow. They seem to have money for their needs.

"(8) In the post-war years there may be a period of many changes in farming. Some folks call it reconversion. Ceilings and floors, subsidies, quotas and allotments may be removed, and the farmer find himself relying entirely on his own resources once more. In that period of time there will be much assurance of a safer journey, stability it is sometimes called, if the farmers are joined in a group or organization that can speak in behalf of and for the benefit of the farmer. An organization that encourages sound thinking and discourages impractical, socialistic or visionary schemes. Folks who live in town are particularly interested because a sound agriculture assures sound business in a country town.

"That is number eight and it is a reminder that a chain is only as strong as its weakest link; which applies with much force to the importance of having the farmers joined together through membership in a strong and sound organization."

Special Personnel to Help Returning V'terans

More than 500 New York State commercial banks have organized separate bank departments or appointed special personnel to help returning servicemen utilize the resources of both the banks and the government in reestablishing themselves in civilian life. A survey by the New York State Bankers Association, made public Aug. 8, revealed that all of the state's 700 commercial banks, with no exceptions, are prepared to make home, farm, and business loans under the provisions of the Servicemen's Readjustment Act of 1944, the so-called "G.I. Bill." In commenting on the preparations being made by bankers to assist veterans, the Bankers Association pointed out that specialists have informed themselves of the features of the G.I. Bill, including the medical, educational, reemployment and loan provisions, so that they can qualify as competent advisors and counselors. The advices from the Association also state:

The creation of specialists will assure the veteran a ready "ear" of one who understands his problems when he visits his hometown bank and in some communities with more than one bank the "Rochester plan" has been adopted, and a central office created to assist veterans.

The plan derives its name from the fact that it was first established in Rochester, N. Y. with the city's six commercial banks and three savings banks participating. Advertised as "Veteran's Financial Service" offices were opened Jan. 8, 1945 in a ground-floor suite in the heart of the city with a former Vice-President of one of the city's banks in charge. Bankers believe that one of the results of the centralized office is a greater volume of cumulative experience which is brought to bear in advising each veteran.

A majority of banks in New York State said that the administration of the loan provisions of the so-called G.I. Bill will be handled in their "shops" by specially assigned personnel. More than one-third of these special departments will be staffed by returned war veterans.

A Champion Needed!

(Continued from page 731)

ticularly pertinent to some of the rules passed by the NASD, and the instant amendments under consideration.

The following are some of these issues:

(a) That the NASD was created pursuant to an illegal statute, to wit, the Maloney Act, which contravenes the law of the land because it is special legislation in effect giving to the NASD certain exclusive and monopolistic privileges, amongst them that of having their members participate in certain financial advantages and dealings to the exclusion of non-members; as a result, the NASD is not legally constituted and is, therefore, without any rule-making power.

(b) That the interpretation (then relating to the 5% spread) is monopolistic in its operations, contravenes the anti-monopoly statute in that it tends and will tend to eliminate the small dealer in securities and thus cripple competition. We feel that the same may properly be urged with respect to the new powers of the NASD Governors to submit By-laws which would control profits and commissions.

(c) The NASD is exercising legislative functions which the Congress never intended to delegate and which the Congress in fact was powerless to delegate.

(d) The NASD is modifying trade custom and usage without the legal right so to do.

(e) Some of the NASD By-laws constitute an illegal exercise of legislative power and governmental function by a private association and place a burden upon and constitute an impairment of interstate commerce.

(f) The By-laws of the NASD or some of them are unconstitutional because they deprive the securities dealers of property rights without due process of law.

These issues, partly raised before the Commission, on the 5% spread NASD interpretation, were completely sidestepped by the Commission in its "Order of Hearing," the Commission even failing to state whether it had jurisdiction of them.

This was unfortunate. However, we would not be surprised to see all these issues revived in some future disciplinary proceeding held before a business conduct committee of the NASD. We predict that the last of these has not been heard by any means.

Proceedings, disciplinary in their nature, before the NASD Business Conduct Committees usually invoke the violation of a general rule which reads as follows:

"The member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

We now quote from a brief filed by the Department of Justice which deals specifically with this rule:

"For that rule, written in the most general language, is capable of more than one interpretation; and, if it is to be applied by a private body for purposes of discipline, the limits of its meaning must be fixed by the law of the land * * *."

"It is a well-established principle that commands which have the force of law must be phrased in language so clear-cut that the person of ordinary intelligence can know what is expected of him. Here the criteria by which actions are to be assessed are 'high standards of commercial honor' and 'just and equitable principles of trade.' But 'commercial honor' is a vagrant concept, too uncertain in its inclusion and exclusion, to impart substance to the term 'high standards'; and 'just and equitable' does no more than set down a lofty and unspecified aspiration for the principles which must guide the trade of the members."

The brief then goes on to point out that under the terms of the Maloney Act the rules of an association formed thereunder are designed, among other things, to protect the mechanism of a free and open market and are not designed to impose any schedule of prices or fix maximum rates of commissions, allowances, discounts or other charges; further, that there cannot be read into the statute the power to impose upon a member an obligaion which the Congress has expressly forbidden.

In our opinion, the NASD has shown a tendency to run afoul of these prohibitive provisions. It has also attempted to define by rule what Congress alone may define by statute.

With the many instances in which the NASD has done injury not only to the public but to the securities industry as well, our readers who have followed our editorial policy are already fully acquainted and these need no present summary.

We level against the NASD the indictment that it makes cowards of men. So many of the communications that we have received from member firms have evidenced this by asking us to withhold their names for fear of reprisals. In and of itself, this alarming condition calls for immediate remedial action. Fear of District Business Conduct Committees, their officials, and of co-members who might terminate business relations has left many a member firm bereft of courage.

It is fervently hoped that some existing voluntary organization will have the vision and good sense to protect the interests of dealers and brokers by petitioning the SEC to abrogate the recently adopted by-laws of the NASD. Instantaneous action should be taken, too, to determine now whether the National Association of Securities Dealers is a duly organized, legally constituted body. The well-being of the public and of the securities field as a whole demands this.

In the absence of prompt militancy on the part of an existing voluntary organization, we must hope for some champion or champions who will arise to combat and destroy the present flourishing octopus of over-regulation which is impairing the proficiency and the livelihood of dealers and brokers in the securities field. Non-members of the NASD are in a particularly favorable position to test the constitutionality of the Maloney Act because of the manner in which they are discriminated against by their inability to obtain discounts from member firms.

Now that the peace has come, continuous and concerted efforts will no doubt be made to relax all restrictions of our freedoms which were based upon a war emergency.

With that public state of mind it becomes increasingly important that non-emergent restrictions and diminution of our freedoms and our American way of life, such as those which have been the product of NASD activities, be immediately erased.

(The "Chronicle" invites comments on the views and opinions contained in the above article or on any related phases of the subject. Letters should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. **Naturally, the identity of the correspondent will not be revealed if a request to that effect is made.**)

France Resumes Interest on Foreign Debts

Jean Paul Simon, whose article "Status of France's Foreign Bonds" appeared in the "Chronicle" of April 5, 1945, has sent to the Editor the following notice of resumption of service on the French Government's foreign debts:

I

France to resume service on loans issued in Great Britain—Arrangements have been made for the resumption of service on the French railroad bonds payable in sterling, on the Seine Department loan payable in sterling, on the English series of 4% French Rentes of 1917-18 and the 4½% Rentes of 1932.


Jean Paul Simon

II

France to resume service on loans issued in Switzerland—According to a decision of the French Ministry of Finances the French Provisional Government has resumed the service of its foreign debt in Switzerland.

Bondholders of the French 3¾% gulden loan of 1939 (payable in Dutch guilders or Swiss francs or U. S. dollars or French francs) of the Morocco Railways (payable in Swiss francs or Dutch guilders or French francs) of the Alsace Lorraine Railways (payable in Switzerland at the cable rate of exchange on Paris) may apply in Switzerland for payment of interest arrears, provided they furnish sufficient evidence as to the date of their ownership.

The French Ministry of Finances will take individual actions concerning the resumption of service on the above-mentioned bonds, which are held physically in countries other than France or Switzerland.

Hallowell, Sulzberger & Co. in Philadelphia

PHILADELPHIA, PA.—Henry R. Hallowell and Charles H. Sulzberger, member of the New York Stock Exchange, will form Hallowell, Sulzberger & Co. with offices at 111 South Broad Street, effective September 1st. Mr. Sulzberger was formerly a partner in Penington, Colket & Co. Mr. Hallowell was assistant manager of the investment department of the Philadelphia office of Eastman, Dillon & Co.

Bull Stampede—Accent on Inflation

(Continued from page 731)

outlook during the second half of 1945 was the prospect that business would have to go through a period of reduced earnings resulting from price control and Government regulations. There was never any doubt that this period would be relatively short lived and would end just as soon as the results of deflationary policies upon the part of Government were apparent. But now with the outlook for early termination of wartime activity, there will be every incentive for the Government to speed the whole process of reconversion regardless of ideological considerations.

In the memorandum "Bear Market, Reaction or Shakeout?"—July 6, 1945—it was stated "Governmental attitudes toward business, prices, wages, credit, foreign trade and all the many fields in which Government now plays an important part have oscillated between fear of inflation and fear of deflation. Over the next several months fear of inflation may well set the theme of Government thinking and activity, but in view of the (probably minor) deflation that the resulting policies would effect, it is wholly likely that a rapid shift of emphasis back to an inflationary theme would take place before many months had passed." Then the prospect was that the process of reconversion would get a good start while we were still at war, that therefore (theoretically) the losses and costs of reconversion could be charged against profits on war goods. But now the termination of the Japanese war probably means early adoption of governmental attitudes that will tend to be inflationary, without any interim deflationary phase.

Tax Relief

Still another reason for heightened confidence in the outlook is the greatly increased probability of early tax relief. Were the Japanese war to continue over the end of the year, important relief from high taxes would probably not be seen until a year or so from now. Now there is a good probability that new tax legislation will come within a few months.

Still further, double taxation of dividends, a much discussed aspect of the tax situation, may well be eliminated or much changed at a fairly early date. This would, of course, have the effect of making dividends more valuable to the recipient and thereby increase the market value of stocks from the standpoint of yield.

Yield Basis

Still another, and perhaps most important, factor in connection with the level of stock prices raised by the prospect of early termination of the war is the distinction between a peacetime market and a wartime market from the standpoint of yield basis. These memos have repeatedly stated that on a peacetime basis the stock market may be expected eventually to sell on a 3% yield basis, whereas on a wartime basis, with all the attendant uncertainties inevitably tied in with war, a 4% basis was about all one might expect. The industrial market did top off in June at just about a 4% basis at the equivalent of around 170 on the Dow-Jones Industrial Average and subsequently declined 10 points. The July 6th memo stated "About all one would expect in a period of temporary declining confidence, during a major upward rise, would be a yield adjustment of something under one-half point. Thus, an adjustment to something moderately under 4½% would suggest a decline from the high of the order of 15 to 20 points."

But with the advent of peace this potential adjustment would fade into insignificance in contrast with the price adjustment that would place the market on a 3% basis. On the basis of present dividends a 3% basis would represent a Dow-Jones Industrial level of 225. In other words, substitution of peacetime for wartime conditions places before the market the bullish potential of a 60 point advance from current levels against a bearish potential of 10 to 15 points.

Investment Policy

This combination of factors, all springing out of the sudden prospect of very early termination of the war with Japan, seems fully likely to carry the market forward an appreciable distance, perhaps over an extended period. Furthermore, the possibility that, so far as financial sentiment and stock prices are concerned, the whole period of reconversion may be hurdled suggests that investors go ahead with the investment of idle funds.

In the opinion of the writer, there never has been any question of the thoroughly bullish aspect of the long range outlook for the market, and now that the bearish potentialities are likely to be rapidly dissipated by the exigencies of a highly compressed period of conversion that will necessitate confidence-producing attitudes and actions upon the part of the Government, a fully invested position seems warranted at this time.

The following stocks are judged among those attractive for purchase at the present time:

GOOD QUALITY STOCKS†

	Recent Price	1945 Price Range	Current Dividend Rate	1944 Earnings
Allis Chalmers	46½	49¾- 38⅛	$1.60	$4.77
Caterpillar Tractor	63½	69¼- 47¾	2.25	4.07
duPont	163	172¼-155	5.25	6.60
General Electric	43⅞	44½- 37⅞	1.60	1.76
International Harvester	84	90⅞- 74½	2.85*	4.61
Liggett & Myers Tob. "B"	93¼	95½- 78	3.00	4.25
J. C. Penney	118¾	123 -106	5.00	6.25
St. Joseph Lead	45½	46¼- 37	2.00	2.86
Union Carbide & Carbon	91¾	93½- 78½	3.00	4.07
United Fruit	104½	106¾- 89⅞	4.00	5.04

LOWER PRICED SHARES

	Recent Price	1945 Price Range	Current Dividend Rate	1944 Earnings
American Chain & Cable	30	31¾-21	$2.00	$2.93
American Machine & Foundry	26½	27¼-21	0.80	1.00
Budd Mfg.	15¼	17 -10⅛	0.25	0.65
Curtis Publishing	15¾	16¾- 9	Nil	0.14
Elliot Co.	29⅝	33¾-15	1.00	2.57
Marshall Field	25⅜	26 -18¼	1.00	1.60
Mengel Co.	21¾	24⅜-14¼	0.40	1.72
Pepsi Cola	23¼	26 -21	0.83	1.02
Radio Corp. of America	13⅜	13⅞-10¼	0.20	0.51
Wayne Knitting Mills	31½	35 -18	1.00	2.14

*Paid in 1944.

†This is not a complete analysis of every material fact respecting any company, industry or security. The opinions here expressed reflect the judgment of the writer at this date and are subject to change. Facts have been obtained from sources considered reliable, but are not guaranteed.

Joseph Lee Is Now With Strauss in Chicago

CHICAGO, ILL.—Strauss Bros. announce that Joseph M. Lee is now associated with their office in the Board of Trade Building. Mr. Lee was formerly with Shearson, Hammill & Co.'s Chicago office for 14 years.

Newkirk & Co. Opens in New York City

Newkirk & Co., Inc., will engage in an investment business from offices at 123 William Street, New York City. Officers will be Louis H. Newkirk, Jr., president and Louis H. Newkirk, Sr., secretary. Mr. Newkirk Jr. was formerly manager of Newkirk & Co., Inc., from 1935 to Dec. 1942.

E. A. Viner to Admit

Kate Viner will be admitted to limited partnership in Edward A. Viner & Co., 11 Wall Street, New York City, members of the New York Stock and Curb Exchanges, as of Sept. 1st.

Meinert and Smith Join Goshia & Co.

TOLEDO, OHIO — Goshia & Co., 517 Ohio Building, announce the addition of Paul A. Meinert and Ray A. Smith to their staff.

Paul A. Meinert

Mr. Meinert entered the securities business in 1922 with the firm of Collin, Norton & Co. with whom he had been connected until Aug. 1 of this year. While in the employ of that firm, he served in various capacities. During the last 18 years his services have been confined to the sales department. Mr. Meinert is very well known in the city of Toledo and has a great many contacts in the Middle West. He has taken an active part in Red Cross and Community Chest campaigns and is a member of the Bond Club of Toledo.

Mr. Smith entered the investment business in 1910 when he became a traveling buyer for the firm of Hoehler & Cummings, one of the pioneer firms in the municipal bond field. He enlisted in the United States regular army in 1917 and served throughout the first world war. Since that time, he has been connected with various investment firms, including W. K. Terry & Co. and Vandersall & Co. of Toledo; also, in recent years, Westheimer & Co. of Cincinnati, and Paine, Webber & Co. On the dissolution of Vandersall & Co. in 1927 he formed his own firm under the name of Ray A. Smith & Co., continuing until 1933. For the past three years Mr. Smith has been engaged in war work and now returns to the investment business in which field he has wide contacts.

Mr. Smith's association with the firm was previously reported in the "Chronicle" of July 26.

Edward Robinson and H. P. Schlemmer to Be Schwabacher Partners

Edward H. Robinson and Harold P. Schlemmer will be admitted to partnership in Schwabacher & Co., members of the New York Stock Exchange, effective September 1st. Mr. Robinson has been with the firm for some time as manager of the New York office at 14 Wall Street. Mr. Schlemmer has been manager of the investment department in the San Francisco office at 600 Market Street.

Michigan Brevities

During the first six months of 1945 the Chrysler Corp. supplied $636,000,000 worth of war materials, being greater than any corresponding period since the war began. Shipments are continuing at a high rate.

Sales for the first six months of 1945 totaled $683,647,228 and the net profit of the corporation and its wholly-owned United States subsidiaries, after taxes and reserves, amounted to $17,326,834 equivalent to $3.98 per share.

Cash, including special deposit accounts of $30,241,379 in connection with contracts for war materials, totaled $147,048,155 at June 30, 1945. United States Certificates of Indebtedness and Treasury Notes aggregated $47,000,000. Advances under war contracts amounted to $70,773,786. Inventories were $58,130,588 and net current assets were $208,118,766.

K. T. Keller, President, states: "Simultaneous with this large war goods production, the plants are being prepared for the resumption of automobile production, to take care of our allotments of whatever civilian passenger and truck vehicles we may be permitted to build and for which we can obtain materials."

* * *

Baker Simonds & Co. has arranged for the purchase of approximately 29,000 shares of Fabricon Products, Inc., formerly the Detroit Wax Paper Co. Registration of the shares was filed with the SEC August 11.

This will be the first public offering of shares of this company which was organized in 1920 and now operates two plants in River Rouge, Mich., totaling 260,000 square feet in addition to wholly owned subsidiaries in Cleveland, Philadelphia, Pittsburgh and Long Island City. The present financing is for certain stockholders' accounts.

Fabricon is a leading producer of printed bread wrappers and other food packaging materials for national bakeries and candy firms. Prior to the war a considerable sales volume was built up in fibreboard automobile foundation panels and insulating materials which should be a large field for the company's peacetime production.

A more recent development, in which Fabricon has already pioneered a number of radical improvements, is the specification treatment of fabrics, sheetings and paper with phenol resin varnishes. This use of phenol impregnated papers and fabrics as laminating materials to be moulded under low pressure, is relatively new in the plastic field. Its wartime uses for helmet liners, aircraft parts, shell and radio parts will be converted into materials for furniture, housing materials, automobiles, boats, office equipment, machinery, luggage and other industrial and home uses.

Another fairly recent development is the company's Aniline Division which produces an attractive printed material for wrapping candy bars, shirts, lingerie, hosiery and other items suited to modern merchandising display.

* * *

The special stockholders' meeting of the F. L. Jacobs Co. scheduled for Aug. 16 to vote on the proposed increase in authorized capital stock has been adjourned until 10 a.m. Aug. 23, in Room 677, 10 Penobscot Building, Detroit. Rex C. Jacobs, President of the Company, explained that "In view of the widespread tendency, including possibly among some of our stockholders, to regard today as a 'holiday' the management deemed it proper to adjourn the meeting for a week."

* * *

Conversion to peacetime production of motor vehicles at the Oldsmobile plant at Lansing, Mich., has progressed to 95% of pre-war facilities, S. E. Skinner, a vice-president of the General Motors Corp. and general manager of the Oldsmobile division, announced Aug. 15. The volume of production is dependent upon the rate at which materials are received, he said. Mr. Skinner and D. E. Ralston, general manager of the organization, interviewed at the Oldsmobile headquarters, emphasized that the post-war peak output will be 450,000 units against 272,000 in in 1941.

"For the immediate present," said Mr. Skinner, "we are continuing to manufacture some war materials. These are specified items which I am not at liberty to mention. Although we are only 5% away from prewar normal facilities for manufacturing civilian vehicles that small percentage may take several months to attain."

Mr. Skinner said that while there now were about 7,500 employees at the Oldsmobile plant, the schedule called for more than 10,000.

Marxer & Co. New Firm Formed in Detroit

DETROIT, MICH.—Marxer & Co. has been formed with offices in the Penobscot Building to engage in an investment business. Partners are George C. Marxer and Marion S. Marxer. Mr. Marxer was manager of the unlisted department for Cray, McFawn & Co. with which he had been associated since 1931.

James M. Butler With Smith, Hague & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—James M. Butler has become associated with Smith, Hague & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Butler was formerly with Wm. C. Roney & Co., R. C. O'Donnell & Co., and A. M. Kidder & Co. In the past he conducted his own investment business in Detroit.

Stone & Webster Eng. On Atom Bomb Plant

Hundreds of engineers and draftsmen, working overtime seven days a week for more than a year, turned out 12,000,000 square feet of blueprints and whiteprints in drawing up plans and specifications for the larger of the two atomic bomb plants in Oak Ridge, Tenn., John R. Lotz, Chairman of the board of Stone & Webster Engineering Corporation, which designed and constructed that plant for the Army, revealed.

The contract, which called for the planning and construction of a city with a population of 75,000 was the largest engineering and construction job ever awarded to a single firm.

Stone & Webster Engineering Corporation began the job in December of 1942. At peak production, it had as many as 27,000 men and women working on the job at one time.

The engineering and development part of the job was handled by a large, carefully selected group of engineers, designers and buyers who worked in specially guarded offices in Boston, Berkeley, Calif., Chicago and Oak Ridge.

As many as 7,200 prints of drawings a day were sent out, many of them being flown to their desinations.

The engineering concern, which has executive offices in New York and Boston, is one of the largest in the country. It has handled many big jobs in war and in peace, but this one, Pres. Branch said, was of such transcendent importance that all workers had to be placed on schedules based on the instructions of Maj. Gen. Leslie R. Groves: "Set yourself a schedule which can be met only by a miracle." In a letter of commendation the War Department, referring to the job, said that the firm had performed it on a "time schedule only slightly short of impossible."

Connecticut Brevities

Gross Revenue of the Southern New England Telephone Company for the six months ended June 30, 1945 was $15,764,000 compared with $14,842,088 for the first half of 1944. Interest charges were covered 3.82 times and 3.38 times respectively, while earnings per share were $3.08 against $2.97 As of June 30, there were 492,156 telephones in service. This represents an increase of 6,016 over June, 1944.

* * *

The income account of the Connecticut Investment Management Corp. for the year ended June 30, 1945, showed net investment income of $31,487 against $25,479 a year ago. Net investment income per share was equal to 20¢ in 1945 based upon 156,211 shares, and 16¢ in 1944 based upon 162,110 shares. Security profits in 1945 were $52,373 compared with $6,996 a year ago. Investments, at lower of cost or market, were carried on the balance sheet at $608,772 while the actual market value was $799,756, or $190,984 in excess of the stated value.

As of June 30, 1945, approximately 59% of the market value of the securities in the portfolio was represented by equities, 33% by preferred stocks, and 8% in bonds.

* * *

Jesse W. Randall, President of the Travelers Insurance Company, has been elected a Trustee of the Hartford-Connecticut Trust Company, to replace the late L. Edmund Zacher.

* * *

For the first half of 1945, Bon Ami Company showed net profit of $551,254, or $2.59 per share on the Class A stock and $1.53 on the Class B, against $503,908, or $2.34 per share on Class A and $1.41 on Class B for the corresponding period in 1944.

* * *

Bigelow-Sanford Carpet Co. showed net income of $532,282, or earnings of $20.16 a share on the 6% preferred stock and $1.47 on the common for the first six months of this year. For the same period in 1944, net income totaled $516,638 with per share earnings on the preferred equal to $19.57 and on the common $1.39. These figures are based upon 308,609 common shares in 1945 and 313,609 in 1944.

Net sales for the first half of 1945 were $10,546,280 against $10,120,500 for the period ended July 1, 1944.

* * *

Peck, Stow and Wilcox Company showed net earnings of $155,944 for the fiscal year ended June 30, 1945, which compares with $204,939 for the preceding fiscal year. Earnings per share were $1.56 and $2.05, respectively. $105,944 was added to earned surplus, bringing that account to $627,565.

President M. J. Lacey stated that while the present manpower problem is serious, the company will have no extensive reconversion difficulties.

* * *

Cutbacks in government contracts coupled with plant changeovers have resulted in a substantial decline in the earnings of United Aircraft Corp. The consolidated income account shows sales and operating revenues for the first six months of 1945 of $331,900,931 compared with $419,925,815 for the corresponding period last year. Net income for the first half of this year was $6,957,950 against $8,450,113 for the period ended June 30, 1944. On a per share basis, earnings on the preferred were $26.88 against $32.64, and on the common $2.38 against $2.94, respectively. Figures for 1945 are subject to adjustment for war contract renegotiation.

During this period, the company set aside $1,673,745 as a reserve for reconversion which brings the total reserve to $34,149,154.

The balance sheet as of June 30, 1945, shows net working capital of $96,464,583. Total current assets were $188,722,128, including cash of $49,142,839 and U. S. Treasury tax notes of $60,884,500.

Chairman Rentschler recently stated that Pratt & Whitney Division and its licensees produced more than 50% of all aircraft engines used by our Air Force, in addition to large quantities for our Allies.

* * *

Putnam & Co of Hartford and Chas. W. Scranton & Co. of New Haven have purchased from the United Gas Improvement Company their holdings of 21,380 shares of the Bridgeport Gas Light Company which is being reoffered to the public at 25½ per share.

This sale is in accordance with the ruling made by the Securities and Exchange Commission in 1941 which ordered United Gas Improvement Company to divest itself of its holdings in this Connecticut utility.

Retires from Partnership

Charles W. Snow retired from partnership in Blanchard, Snow & Watts, 115 Broadway, New York City, members of the New York Stock Exchange, on Aug. 14.

Missouri Brevities

Edison Brothers Show Gains

Edison Brothers Stores, Inc., retail distributors of women's shoes, report a consolidated net profit of $677,295 for the six months ended June 30, 1945, equal to $1.54 per share of common stock outstanding at the close of the period after allowing for preferred dividends. This compares with a profit of $485,845, or $1.07 per share in the first six months of 1944. Sales for the seven months ended July 31, 1945, were $30,042,033, an increase of 18.19% over the comparable 1944 period. July sales of $4,304,004 showed an increase of 24% over July, 1944.

The company recently sold $5,000,000 of 4¼% cumulative preferred stock, proceeds of which will be used for the retirement of $3,000,000 of old preferred stock which has been called for redemption, and will also provide for the construction of additional store units and other post-war expansion plans.

Ely & Walker Expansion

Ely & Walker Dry Goods Co., whose various expansion plans have been noted in this column over the past year and a half, recently purchased 1,000,000 feet of high-grade lumber from the Surplus Products Division of the RFC. This lumber will be used to construct a factory at Verona, Mo., for the manufacture of store fixtures for the company's retail merchant customers. Since 1933, with the exception of the war period, Ely & Walker have supervised the remodeling of retail stores, over 1,200 such outlets located in 28 different states having participated in this service. In addition to this lumber purchase, the company has also acquired several large tracts of virgin white and red oak timber which will assure it of a source of raw materials for the future.

American Stove Earnings Advance

American Stove Co. reported estimated net profit for the six months ended June 30 of $544,495, equal to $1 per share, compared with $449,270, or 85¢ a share in the first half of 1944. Income and excess profits taxes provision was $1,374,000 versus $667,590 in the corresponding period of last year.

Western Light & Telephone Registers

Western Light & Telephone Co., whose common stocks is actively traded by Missouri dealers, has filed a registration statement with the SEC, covering its proposed issue of $6,200,000, series "A" first mortgage bonds due 1975. Proceeds will be used to redeem $5,000,000 first mortgage 4s due 1964, of Kansas Power Co. and $1,189,000 Western Light & Telephone first and collateral 3¾s due 1965.

The present preferred stocks of both companies would be exchanged for new 5% preferred of the merged companies, and Western Light & Telephone common stock would receive new common in the ratio of one share of new for five of old.

National Candy Report

National Candy Co., for the six months ended June 30, had consolidated net earnings of $684,369, equal to $1.06 per share after preferred dividend requirements, compared with $500,318, or 75¢ per share in the corresponding period of 1944.

Dollar Finance Mgr. of RCA International

Archibald F. Dollar has been appointed Manager of Finance of the RCA International Division of the Radio Corporation of America, John G. MacKenty, Managing Director of the Division, announced today. Mr. Dollar will be located in the New York offices of the RCA International Division, 30 Rockefeller Plaza.


Archibald F. Dollar

A native of Grangemouth, Scotland, Mr. Dollar was a Chartered Accountant in that country before coming to the United States in 1923. As a Certified Public Accountant, he has been associated with the firm of Arthur Young and Company, Public Accountants, for the past twenty years, devoting much of his time in that period to the RCA account.

He is married and has three sons. He lives in New Rochelle and is a member of the Shore Club in that city.

J. H. Brooks & Co. to Admit Two Partners

J. H. Brooks & Co., members of the New York Stock Exchange, will admit James L. Atherton and J. Archibald Brooks to partnership in their firm as of Sept. 1st. Mr. Atherton will make his headquarters at the firm's New York office, 25 Broad Street. Mr. Brooks will be located at the Wilkes-Barre, Pa. office.

Competitive Bidding Comment

The following is another of the letters received by the "Chronicle" on the subject of competitive bidding, others having been published in previous issues beginning with that of July 12, starting on the fourth page in each instance. We shall be glad to accommodate the viewpoints of any individuals or firms which have not as yet acted on our invitation for comments. Correspondence should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y., and in no instance will the identity of the source be revealed where a request to that effect is made.

MAXFIELD H. FRIEDMAN
San Francisco

I've read your Pros and Cons on the merits of competitive bidding with great interest, particularly the weak and fumbling objections, by those not in favor of it, to a former underwriting monopoly enjoyed by a select few.

We are a small firm with no institutional business, so our interest in new issues being brought out with minimum interest rates and practically no profit, are of very little interest to us. However, for the benefit of those who are fortunate enough to have this type of business, I offer the following suggestion to the most important objection to competitive bidding, namely, the small profit. The SEC was created to protect the investor and admittedly has done a good job, but it has failed to recognize that the investment house too, needs protection, and I think it about time the NASD does something toward creating a minimum profit, just as they have toward establishing a maximum. This can be accomplished by making the corporation who is selling the security pay a fair cost for distribution, where today, under the present system, they are paying absolutely nothing except expenses incurred setting up the issue, cost of prospectus, etc. For example, the bidding syndicate would bid the corporation the price at which the bonds would be retailed to the public, less two points to the corporation. Under this plan the bidding syndicate would be assured a fair profit, likewise the small dealer interest would be revived, assuring greater distribution. The minimum profit could be scaled to two points on bonds, three and one-half points on preferred stocks, and possibly 5% on other stocks.

In conclusion, it seems to me that under the present system the large corporations, are the only ones benefiting at the expense of the investor and the investment houses.

Theodore Gould to Resume in Baltimore

BALTIMORE, MD.—Theodore Gould has resumed his investment business from offices in the Stock Exchange Building. Mr. Gould was active as a member of the Baltimore Stock Exchange for many years. He has recently been serving in the U. S. Navy.

Milton Powell in Calif.

PASADENA, CALIF.—Milton C. Powell has formed the Milton C. Powell Co., a sole proprietorship, with offices in the Security Building to engage in an investment business. He was previously President of Milton C. Powell Co., Inc., of Rochester, N. Y., but for some years has made his headquarters in California.

Cotton Exchange Has Diamond Jubilee

(Continued from first page)

price paid by the cotton mill. In those days, after a cotton crop was harvested, dealers or "cotton factors" at Southern ports bought the baled cotton and immediately arranged to make shipments of the commodity to foreign or domestic ports. The cargoes were hawked about until sold. All this took weeks and even months between the purchase of the product on the farm and the final sale to the mill.

There was accordingly considerable variation in the prices not only in different markets but in the same market at short intervals of time. The cotton merchant, of course, assumed the risk of the market, but his successful adventures with high profits would generally compensate for losses undergone. But the business was risky since the merchants had no adequate facilities for "hedging" against price changes. These price fluctuations became particularly serious to dealers in raw cotton when, through rapid communications and transportation, the change of price in one market would be immediately reflected in all markets.

Origin of Future Trading

As pointed out by W. Hustace Hubbard, author of the standard work "Cotton and the Cotton Market," the Civil War completely disrupted the cotton trade, and when business was resumed, it was speedily found that the old methods would not do. The fast steamers stopped at Halifax each way, news was immediately telegraphed to New York, and prices began to change at a rate which threatened to ruin merchants having cotton at sea. Conditions were made much worse when the Atlantic cable was laid in 1859 and the telegraph lines operated continuously between New York and the South.

In order to reduce these risks of the business, merchants began to trade in "cotton to arrive." Under this system no specific lot of cotton was stipulated in the contract, no samples were shown, and no ship by which it was to be transported was mentioned. The contract simply called for the delivery of a stated number of bales of cotton, "basis middling, nothing below low middling," to arrive during one of two prescribed months of a particular year. The length of time was allowed to provide against delays in the voyage. Against these contracts, cotton brokers or dealers could sell on the spot market for future delivery without risk of loss from change in price, so some crude system of hedging and offsetting trades was afforded.

New York soon became the trading center of these "to arrive" contracts. The cotton brokers, however, had no specific meeting-place for this sort of dealing. For a time, they followed the practice of getting together in the quarters of a large cotton merchandising concern. In 1868, a sort of formal organization of a trading floor was attempted, but it failed to supply adequate facilities for the rapidly increasing marketing of contracts in cotton. So on July 20, 1870, a number of cotton brokers got together to form a trading exchange. They drew up the following preamble:

"Whereas, The Cotton Trade of New York is increasing very rapidly, and with the increasing facilities for shipping Cotton by steam to all parts of Europe, this trade must continue to increase . . . and

"Whereas, In addition to the Cotton sent here for sale, there has grown up a large trade in the purchase and sale of Cotton for future delivery, in which much business is done on foreign account, as well as for Planters and Country dealers in the South, and

"Whereas, We believe that the telegraphic wires all over the world will rapidly increase these transactions, and

"Whereas, It is essential with this increase in the Cotton Trade of New York, that proper rules and regulations should be adopted for systematizing the whole business, and believing that this can be best done under an organization of all the Trade, it is determined by those of us present, and such others as will unite with us. . . .

"The purposes of this Association shall be to provide and maintain suitable rooms for a 'Cotton Exchange', in the City of New York, to adjust controversies between members, to establish just and equitable principles, uniform usages, rules and regulations, and standards for classification, and all transactions connected with the Cotton Trade, to acquire, preserve and disseminate information connected therewith, to decrease the risks incident thereto, and generally to promote the interests of the Trade, and increase the facilities and the amount of Cotton business in the City of New York.

"Any member of the Exchange who shall be accused of wilfully violating the Constitution and By-Laws, or of fradulent breach of contract, or of any proceeding inconsistent with just and equitable principles of trade, or of either misconduct, may, on complaint, be summoned before the Committee on Membership, when, if desired, he shall be heard in his defense, and if the charge or charges against him be, in the opinion of the Committee, substantiated, the complaint shall be referred to the full Board of Managers, who may, by a vote of not less than two-thirds (⅔) of all the members present, suspend or expel him from the Exchange."

Organization of the Exchange

The first meeting of members was held July 20, 1870, on which occasion a Constitution and By-Laws were adopted. Officers and a Board of Managers were elected on August 15, 1870, and the New York Cotton Exchange established quarters at 142 Pearl Street. Up to that time, trading in cotton had been done in brokers' offices in and around Hanover Square.

The first New York Cotton Exchange was housed in a single, long, narrow room (23 x 100 feet) running from Pearl Street through to Water Street, within sight of the East River docks. This room contained a gigantic iron stove around which members gathered to trade in cotton and exchange views regarding current events. During the first days of the Exchange, considerable attention was directed to the new Census figures showing a New York City population of more than 940,000 and some of the members joined in the prevailing prediction that "one day, the City will actually have one and one-half million people."

Announcing the formation of the new exchange the "Chronicle," which had carried quotations and other data for the cotton trade, in its issue of Sept. 24, 1870 (Vol. 11, page 395), said:

"After long and patient discussion among the members of the Cotton Trade the New York Cotton Exchange has been finally organized and commenced operations on Monday last, in their very handsome and commodious rooms at 142 Pearl Street, the center of the cotton market. The present number of members is 132, comprising very many of the leading houses in the trade, and applications for membership are fast coming in. At present, the initiation fee is $200, with the annual dues of $25. Every member can be represented on the floor by an attorney on payment of annual dues.

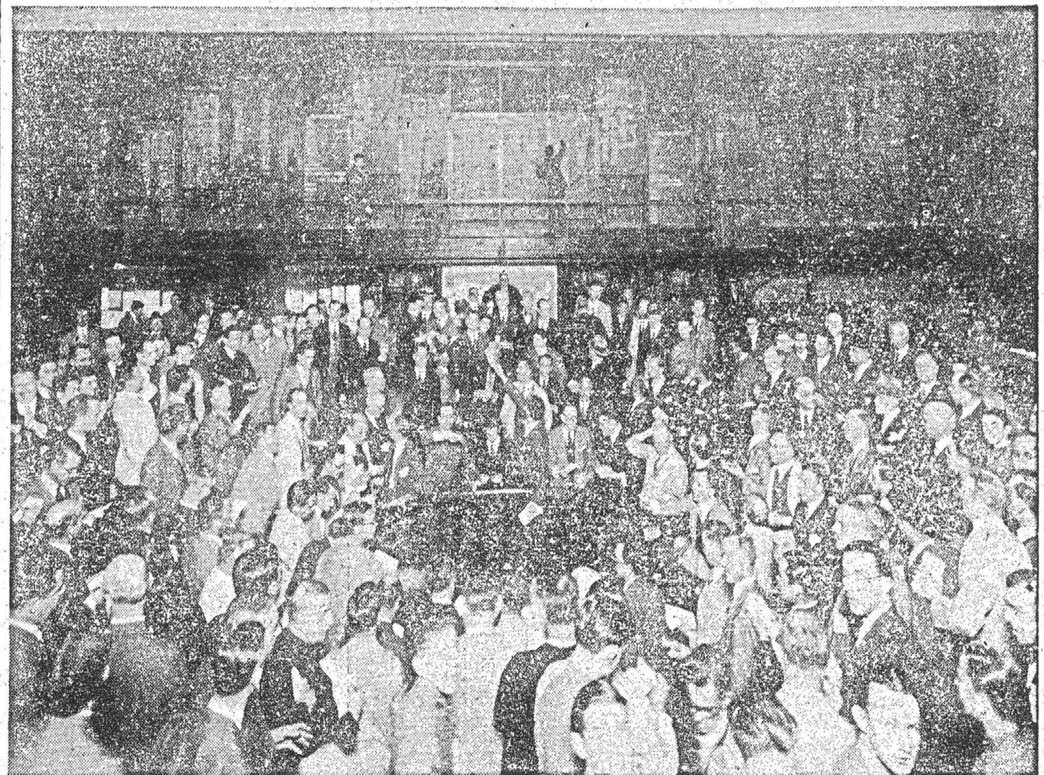
"It is intended to make the Exchange the center of information, with regard to the cotton interests of the whole country. In view of its establishment the New York Board of Cotton Brokers was dissolved on the 1st instant, and they have cordially cooperated in the present organization. Much credit is due to Jas. F. Wenman, Charles A. Easton, Geo. Cornwall and other brokers for their disinterested expenditure of time and effort to bring it about."

In 1872, the business of the Exchange demanded larger quarters and, on May 4, 1872, the members moved to the building at the head of Hanover Square which was subsequently known as India House. Dimensions of the Exchange Room were 70 x 40 feet. The New York Cotton Exchange operated in these quarters from May 4, 1872 to April 29, 1885, a period of thirteen years.

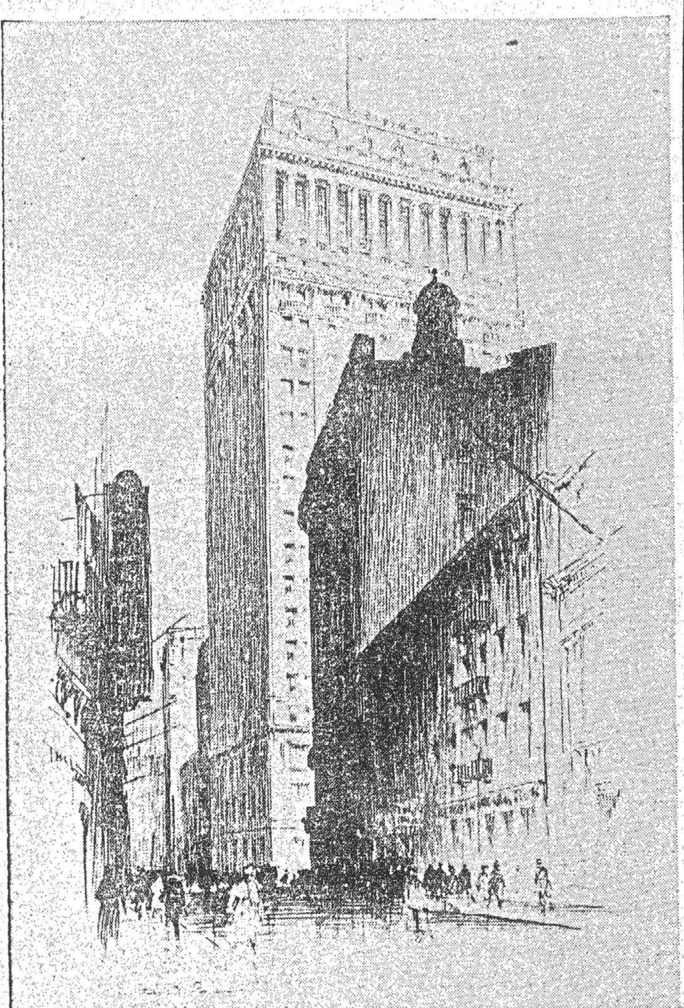
On December 6, 1880, the Board of Managers appointed a special Committee to consider projects for a new building. This Committee found it impossible to obtain title to the property adjoining the existing site of the Exchange. Among new sites considered was one on Battery Place, another on the northeast corner of Beaver and New Streets near the site of the present Produce Exchange, and still another, which finally was chosen, on the block bounded by William, Beaver and Pearl Streets. The corner-stone of the third New York Cotton Exchange location was laid on February 25, 1884. The new building was dedicated on April 30, 1885 with elaborate ceremonies held on the trading floor.

This building remained the home of the Exchange from April 1, 1885 until expanding business again made it necessary to enlarge the facilities. A Committee appointed by the Board of Managers in 1921, undertook to negotiate a building project and—after meeting and overcoming many difficulties caused by the effects of the World War—finally adopted plans by Donn Barber, and contracts were awarded for tearing down the existing building and for erection on the same site of the limestone edifice completed May 1, 1923, the present home of the New York Cotton Exchange. Pending erection of the present building the Exchange occupied

Trading Floor of the New York Cotton Exchange



Present Home of Cotton Exchange



The Exchange Building, situated at 60 Beaver Street, New York City, was erected in 1923.

temporary quarters in a small space located at 90 Wall Street, at the corner of Water Street.

Importance of the Exchange

The New York Cotton Exchange is not only the oldest but the largest cotton exchange in the world, notwithstanding the expansion of the Liverpool Exchange because of the increasing importance of Egyptian cotton. It is a market or trading place for the purpose of buying and selling cotton on contract for future delivery. As a "spot" or "cash" market it is not as important as New Orleans or other Southern cotton distributing centers. Purchases and sales on the New York Cotton Exchange are made by auction or public outcry around a trading ring, and the prices consequently established are recognized and accepted by world traders as reflecting current values of American cotton.

Exchange Officials

Frank J. Knell

Tinney C. Figgatt

Mr. Knell, now Vice-President of the New York Cotton Exchange, headed the organization during 1937-1938. Mr. Figgatt is Secretary of the Exchange and has occupied this position since 1940.

The New York Cotton Exchange and its world-wide system of trading in cotton futures contracts was created to satisfy an essential economic demand of the cotton industry for trading in contracts calling for future delivery. It is the purpose of such contracts, as far as possible, to eliminate market price risks involved in the handling of raw cotton. The futures contract system provides a form of insurance against loss of invested capital through inventory losses incurred by price fluctuations.

Before large-scale operation of Southern cotton mills, cotton was shipped to New York City for financing, storage and sale to New England mills and European markets. There were times when mills and foreign importers wanted to anticipate their requirements of raw cotton by buying ahead, often before the size and quality of the annual crop had been established. On the other hand, there were times when producers and merchants wanted to sell for future delivery at a price to be fixed before delivery date. The New York Cotton Exchange evolved from the demand for a central market where such contracts could be negotiated at public auction. The new method displaced the evils and inconvenience of door-to-door trading then in vogue.

Memberships in the New York Cotton Exchange are widely distributed throughout all branches of the cotton industry on a world-wide basis. They are held by producers, merchants, shippers, mills, textile dealers, farmer cooperative organizations, and brokers. Stringent requirements for membership in the Exchange require that any prospective member satisfy the Exchange that he is a man of integrity and sound financial responsibility.

Through the futures contract system trading cotton is merchandised on a narrower margin than would otherwise be the case. By minimizing inventory losses resulting from price changes the cost of merchandising, fabricating and distributing cotton and cotton products is substantially reduced. Through protection of invested capital, the cotton futures system serves to facilitate the large-scale financing of inventory stocks. Also, protection of invested capital encourages investment buying and carrying of surplus stocks, and supply and demand forces are brought together from all parts of the world and are translated by open trading into a world price.

The futures contract system operates to reduce the spread between the prices received by producers and the prices paid by consumers to the advantage of both.

The New York Cotton Exchange is used by those engaged in every branch of the cotton business, its related industries, and principally by merchants and mills who employ its facilities for hedging as a means of price insurance.

Services of the Exchange

In addition to the privilege of buying and selling cotton at members' rates of commission, the members of the Exchange are supplied with all available information as to prices current in other markets of the world, data regarding the production, supply and distribution of the annual cotton crops of the United States and foreign producing countries.

Thus the most important function, as already stated, of the New York Cotton Exchange is to provide the cotton merchant, spinner and planter with a medium for insurance against price fluctuations, the term for which is "hedging". For example, if a cot-

(Continued on page 745)

The Capital Levy Plan for the Redemption of National Debts

(Continued from page 731)

able to the War Debts of All Countries." But, of course, these radical recommendations got nowhere. The American public, as happened after the Revolutionary War, insisted on upholding Alexander Hamilton's philosophy that individual integrity can never be maintained if national integrity is impaired.

The "Capital Levy" After World War I

In the years immediately following the last war apprehensions of the economic burden of large national indebtedness again manifested itself throughout the world. The gross indebtedness of the civilized nations had risen in four years from $21 to over $250 billions. Economists and statesmen expressed the opinion that this tremendous debt burden would be a serious political and economic detriment to future progress and rehabilitation. It was an incubus that had been constantly growing, and it was not at all unreasonable that the richest and strongest nations were concerned about it, and that radical proposals to cast it off once and for all were seriously considered. A few of the former belligerents, as for example Russia, actually resorted to repudiation. Several others, notably the Central European Powers, succeeded in arriving at the same situation through drastic currency depreciation. Even France, in the stabilization of her monetary system, made no effort to compensate the holders of her obligations for the losses they incurred through currency devaluation. It was an indication that governments, like corporations, occasionally require financial "reorganizations" to keep going. History proves that nations, like individuals, can become bankrupt. There are, however, no international bankruptcy courts, so that each nation must settle accounts with creditors in accordance with its own ideas of integrity and justice.

As happened after previous periods of heavy war-time debt accumulation, schemes for effecting debt cancellation or extinguishment were proposed. In Great Britain the idea of a special levy on physical wealth gained the support of the British Labor party. It actually was proposed by the Fabian Socialists two years before the war ended, and was seriously considered and discussed by several leading British economists of the period. There were no general agreements, however, as to the limits of the proposal. Sidney Webb, the leader of the Fabians, would have the Government make a levy for debt extinguishment only on productive and industrial wealth. F. W. Pethick Lawrence demanded a more sweeping sequestration. He wanted all material goods privately owned, whether productive or non-productive, contribute pro rata towards national debt redemption. The State would not only levy on income producing property, such as land, factories, ships, railways and securities, but also on personal chattels, such as furniture, jewelry, pleasure cars and clothing. And he proposed that the taxpayer have the option of paying in cash or in goods. A millionaire could surrender a Van Dyke or a Rembrandt, while less opulent denizens could contribute rocking chairs or waistcoats. Under this plan it is assumed that the Government will be able to dispose of such property for cash or in return for its own obligations, but it was not made conceivable by the advocates that values could be maintained equally for all categories of property during the period of the segregation. However, several supporters of the "capital levy" realized the difficulty and sought to overcome it by providing for a partial payment system with the payments secured by a pledge of the sequestered property. The State would thus become a universal mortgagee, as pitiless, perhaps, as the rich rascals in the old-fashioned dime novels.

Aside from the feeble attempts in Germany to make a substantial levy on individual wealth during and following the last war, there were no large scale experiments made with the "capital levy." In Germany there had been imposed on several occasions heavy taxes on property for the support of the army or for war preparations, but this was in the regular form of a property tax and made payable in cash. Following the war and during the drastic inflation period a somewhat similar levy was made, called "Reichnotopfer" (sacrifice for the nation's need). And this, too, was made payable in instalments. But the currency depreciation progressed so rapidly that as the instalment payments accrued, the returns, from a revenue standpoint, were insignificant and there was, indeed, little in the way of "sacrifice" on the part of German citizens from this source.

Hugh Dalton Favored It

One of the leading British protagonists of the capital levy after the last war was Hugh Dalton, recently appointed to the highly important position of Chancellor of the Exchequer in the new British Cabinet. While a teacher of public finance in the London School of Economics and also a Labor Party politician in 1923, he wrote a small book, widely circulated in England and also published in the United States, entitled "The Capital Levy Explained." In the opening passages he wrote:

"As a professional economist, specializing to some extent in problems of public finance, it became my duty several years ago to study this question with considerable care. As a result of such study, I formed the opinion, which I still hold, that the policy of the levy is fundamentally sound and indeed that until it is adopted our financial and economic prospects will remain needlessly dark, dangerous and difficult."

Later, in 1929, after two parliamentary committees had turned thumbs down on the capital levy proposition, and when its failure was in a way already demonstrated in Germany, Dalton wrote a text book, "The Principles of Public Finance." On page 265, of this work, in the chapter on redemption of public debts, he said:

"My own opinion [regarding the capital levy] still is in favor of the levy as the best policy, on merits, for dealing with the debt."

Yet, notwithstanding this view and his expected nomination to the exalted position of Chancellor of the Exchequer, with its dominating influence on fiscal policy, neither Dalton nor any other leading Labor Party candidate made an issue of the capital levy. It seems to have been smothered under the nationalization program of the party, and very little seems to have been said about it, despite the fact that it was one of the leading planks in the Labor Party's platform after the last war. Whether it will be revived, of course, will depend on the progress that the dominant political group makes in carrying out its proposed social and economic reforms. The outlook, considering Britain's precarious economic situation, is, to say the least, not very favorable for its success, and if Dalton's earlier view is correct "the prospects will remain needlessly dark, dangerous and difficult" without the capital levy.

The New French Proposals

Now, in the aftermath of this war, it is France's turn to resort to "sacrifice taxes" and "national solidarity" imposts. According to a dispatch to the New York "Times," dated June 29, 1945, it is reported that the French will be called upon to pay two new taxes—a levy on capital, and another on the increase in an individual's wealth during the last five years.

"Minister of Finance Rene Pleven," continues the dispatch, "who has been working on these new taxes, described them and their necessity to the Cabinet at a meeting this morning. They will be presented to the Consultative Assembly within a few days.

"The levy on capital or 'patrimony,' as M. Pleven prefers to describe it, will be progressive and will be payable within four years. The rate proposed for fortunes in the lowest bracket is 3%; the highest rate will be 20% for fortunes exceeding 300,000,000 francs (about $6,000,000).

"To spur an increase in the birth rate, taxpayers with families will benefit by certain exemptions. Moreover, children born during the next four years will be taken into account for various reductions before the final payment of the tax is demanded.

"The levy on increment of wealth is intended primarily to penalize illicit or excessive profits realized during the war years by black market operations, trading with the enemy, and the like. The minimum rate now under consideration is 20%, and the maximum 100%. It will be due on increment of wealth between 1940 and 1945.

"M. Pleven admits that the control of such increment will not be easy, but he believes the measures he is preparing will leave few loopholes."

According to a wireless dispatch to the New York "Times," on July 30, the Consultative Assembly approved a tax on the increment of wealth and a capital levy by a vote of 233 to 2, after having raised the minimum capital affected from 100,000 francs, as proposed by Finance Minister Rene Pleven, to 200,000 francs. The measure, whose final form will be decided by M. Pleven, calls for a tax of 3 to 20%. Thus, France, like Germany after the last war, is to experiment with the capital levy.

It is reported that the French government, in order to carry out this program is taking a census of individual wealth. This census, which is to include all forms of property, is also to form the basis of the forthcoming levy on wartime gains, estimated to bring in Frs. 100-125 billion in four years; it will assist the Government in tracking down illegal and especially black market transactions; and it should facilitate the efforts now made by the Government to curb the long-standing evil of tax evasion of which M. Pleven gave some striking examples in his Budget speech.

It will be noted that, in the above proposal, there is also an "instalment" feature and, though not stated, it is believed that the payments are to be made in cash. The effect of all this on the currency situation and on property values, of course, appears to be ignored. Also the difficulties in the assessment and collection of the tax or "levy," whatever Mr. Pleven prefers to call it. Judging by the experiences of Germany and other countries with similar levies, it may be assumed that the name "Impost of National Solidarity" will prove to be a misnomer, and that France, economically as well as politically, is more likely to be rent asunder politically than solidified by it.

The Difficulties Involved

But many specious arguments may be offered in support of the "capital levy" theory. It aims primarily to avert a long, continuous burden of taxation that falls more heavily on those who fought and suffered than on those who amassed wealth because of the war. The huge interest burden which benefits the wealthy classes at the expense of others will also be eliminated. In cases where the proposed "levies" are to be "steeply graduated," in the manner of income exactions, it should tend to promote a more equal wealth distribution without subverting the "equality of sacrifice" taxation ideal.

These contentions, however, are offset by serious and inescapable difficulties, both in the carrying out of the ideal and in the distorting economic effects resulting from its application. Even assuming that it is entirely feasible to segregate, evaluate and apportion all forms of physical wealth by State action, the scheme, unless carefully and most accurately administered, is most inequitable. The mere possession of property is no gauge of ability to pay. This has become almost axiomatic in taxation theory, and is manifest in the trend of modern taxation away from a property toward an income basis. The appropriation of physical wealth by the State may tax the thrifty and the provident, but allows the spendthrift enjoying large professional income to escape. It handicaps men employing their property in productive enterprise, and does not directly fall upon the professional and salaried classes. A conscription of "earned incomes" might go hand in hand with a property assessment, but it is a difficult taxation problem to make these two schemes operate concomitantly. Income from services and income from investments—these two contituting "earned" and "unearned" incomes, respectively—are drawn largely from the same source, *viz:* industrial and other productive undertakings.

The State, however, reaps the full value of an income tax return without disturbing productive ability, whereas a sequestration of physical property (or, what amounts to the same thing, a heavy tax that may require disposal of part or all of physical property of an individual as happens in heavy estate levies) is likely to create widespread depreciation that may render property or goods almost worthless. Moreover, it would require an abnormal currency situation, since the State does not want to hold property sequestered and must dispose of it for cash, and the taxpayer, who is compelled to dispose of property to pay the tax in cash, must find others who have available cash or credit for the purpose. Thus there would be a temporary and possibly a terrific disturbance of the currency and credit situation. A short deflationary period would, in all probability, be followed by a long, disastrous inflation.

Regarding the immediate inflationary effects of the capital levy for the purpose of debt redemption, the late Lord Stamp, in his book "Wealth and Taxable Capacity," remarked:

"Every repayment of debt represents a considerable force making for deflation, in so far as debt is being used as collateral security forms a basis of credit. You withdraw such basis and the credit thereon shrinks with deflationary effects. It is possible, therefore, that a large repayment by a capital levy might have two sudden effects; first, the deflation would be so rapid as to dislocate business, and thus destroy the stream of productivity prematurely; and second, the immediate burden of the remainder of the debt might be greater both as to interest and principal than it would have been if deflation had taken place gradually."

Thus the conversion of a capital levy from a surrender to the State of physical property to a demand for the cash equivalent, even when made payable in instalments, has all the disadvantages and none of the advantages of a simple property tax proposition. If the sequestered property is permitted to be held privately under a Government lien, the periodical cash payments on account of principal would be simply transferring a debt burden from the State to individuals less able to bear it. The service cost of the debt would still remain and would be higher and more burdensome in the long run and (what is more important) without the checks on Government extravagance that accompany a large national debt burden.

Conclusion

A careful analysis of the "capital levy" idea leads to the conclusion that in its practical application it would not be more effective than income taxation and would be exceedingly more difficult to apply in practice. It certainly could not be used as a "debt extinguisher." As John Stuart Mill pointed out almost a century ago:

"If property bore the whole interest of the debt, property might, with great advantage to itself, pay it off, since this would be merely surrendering to the creditor the principal sum, the whole annual proceeds of which were already, by law, his, and would be equivalent to what a landowner does when he sells part of his estate to free the remainder from a mortgage.

"But," he adds, "property does not pay and cannot be made to pay the whole interest on the debt." Mr. Mill then goes on to argue that physical property is not the only wealth that mankind has received from the past, and that the bulk of the accumulated wealth is in immaterial form and therefore is the common heritage of all. If advantage accrues to the individual from such intangible forms of wealth, it will be largely manifested in the form of "income," which may be taxable to the individual.

NY Banking Dept. On Securities in Vaults

Securities placed in bank vaults do not become abandoned property in New York State under a State law providing that certain funds held by banking institutions become payable to the State Comptroller if unclaimed for fifteen years, Attorney General Nathaniel L. Goldstein holds. Associated Press advices from Albany Aug. 7, reporting this, added:

Mr. Goldstein's ruling, made yesterday, was requested by Comptroller Frank C. Moore.

The Attorney General added, however, that in cases where the bank had the right under provision of an agreement with the owner to negotiate the securities, the proceeds may be considered abandoned property after 15 years.

In other opinions, Mr. Goldstein held that:

1. Undelivered funds, representing drafts, cable transfers and money transfers sent overseas through domestic banks, might not be deemed abandoned property.

2. Money deposited with a bank by a corporation in payment of notes or for stocks or bonds which have been unclaimed for 15 years is not abandoned property.

3. The Federal Reserve Bank of New York comes under the abandoned property law, by definition, as a "banking institution."

Cotton Exchange Has Diamond Jubilee

(Continued from page 743)

ton merchant effects a sale of a certain amount of cotton to a spinner and finds it impossible or inadvisable to purchase the spot cotton at the time of sale, he directs a member of one of the Exchanges to buy for his account a corresponding amount of future contracts. When he buys the cotton in the South to fill his sale to the spinner, he immediately sells the future contracts bought as a "hedge." It therefore makes no difference to him whether the market meanwhile advances or declines, as he is protected against fluctuations in price, and if the market has advanced when he buys the cotton to deliver to the spinner against his sale, he must pay more for the cotton in the South. But the loss is offset by the increased price at which he is able to sell his future contracts. If, on the other hand, the market has declined, the loss incurred in the sale of his future contracts at lower than the purchase price is offset by the correspondingly lower price at which he is able to buy his actual cotton.

The following are present officers of the New York Cotton Exchange:

President, William H. Koar; Vice-President, Frank J. Knell; Treasurer, Benedetto Lopinto; Secretary, Tinney C. Figgatt.

Managers: Eric Alliot, Tinney C. Figgatt, Jere M. Locke, Arthur J. Pertsch, Charles B. Vose, John C. Botts, Edward A. Hillmuth, Robert J. Murray, Charles Schudt, Philip B. Weld, J. Henry Fellers, William W. Kirby, George Nichols, Charles Slaughter, Thomas J. White.

Assistant to the President: Fred P. Lordan; Assistant Secretary: John J. Scanlan.

The New York Cotton Exchange now has approximately 430 members. This membership is distributed over the entire Nation and foreign countries, and enjoys representation in all segments of the cotton industry. Numbered among its members are planters, ginners, warehousemen, merchants, manufacturers, bankers, etc.

Denver Bond Club and IBA Frolic Gets Pushed Around

DENVER, COLO.—A feature of the annual frolic of the Rocky Mountain group of the Investment Bankers Association and the Bond Club of Denver was a wheelbarrow race. The head of each firm in the line-up planted himself in a wheelbarrow and was pushed by four selected men, each of whom would go for a distance of 50 feet. The pushees were Norman C. Barwise of Merrill Lynch, Pierce, Fenner & Beane; Walter J. Coughlin of Coughlin and Company; Donald C. Bromfield of Garrett-Bromfield & Co.; William P. Sargeant of J. A. Hogle & Co.; William E. McCabe of McCabe, Hanifen and Company; John T. Webb of Otis & Co.; Amos Sudler of Amos C. Sudler & Co.; Ernest Stone, of Stone, Moore & Co.; Frederick Walter of Walter-Webb & Co.

Other activities included golf, archery, skeeter shooting, putting, bat contest, soft-ball game, a "clock" game and the "sweepstakes."

First Home of the New York Cotton Exchange

The Exchange occupied the above quarters, located at 142 Pearl St., New York City, during the period from Sept. 1, 1870, to May 4, 1872. It is now housed in the pretentious structure situated at 60 Beaver St., New York City. The new building, erected in 1923, is shown in the photograph appearing on page 743.

London Comment

(Continued from first page)

planning for the next International Chamber of Commerce Congress Meeting."

Assistant Secretary of State Clayton has advised that British lend-lease end with the war, that through it America has fulfilled whatever financial obligations it had toward her Allies, that the problem of blocked sterling balances is not America's problem, that Washington will sympathetically entertain any official British request for a loan on interest-bearing terms.

One active lend-lease problem is how to dispose of the still unutilized supplies here in England.

The Expected Loan from U. S.

Many informed Americans and Britishers in London are expressing annoyance over the London "Economist's" demand for a six billion dollar American gift as the price paid to Britain for ratifying the Bretton Woods Agreement. The "Economist," though unofficial, represents and influences a school of thought, recognition of which prompted Secretary Clayton to speak plainly, if diplomatically, to the British Government.

Under the caption, "Stand and Deliver," the London "News Chronicle's" financial editor stingingly rebukes the "Economist," calling its proposition staggering and saying Americans won't fall for this amiable plan which would rob Peter to pay Paul, namely rob America to pay India, Egypt, Australia, etc. This debate between Britishers is deplored by those seeking to perpetuate Anglo-American cooperation into the atomic peace, especially since threat of a self-sufficient Sterling Area is widely regarded as unachievable.

A Congressional gift or loan, perhaps both, is expected here, but it would have to be shared with India and other countries of the Sterling Bloc.

The United Nations Rehabilitation and Relief Organization's prolonged meetings here, is again demonstrating Russia as the problem child of international conferences. The vote at the meeting reveals the existence of a considerable Russian bloc. The Russian, Italian, Australian and Chinese current needs will virtually exhaust UNRRRA's prospective resources.

Reappointment of Keynes

The recent announcement of the reappointment by the Labor Government of Lord Keynes as advisor to the British Treasury is taken in London as a sign that the Government needs some clear and easy replies to the questions being asked by rank and file members of the party. Keynes is a liberal, but of course not a Laborite.

The man in the street in England, the man the Labor Government must please—for it was the middle class that put Labor in power this time—is not much interested in having the big private banks nationalized, although the nationalization of the Bank of England is another matter. The Big Five joint stock banks have hundreds of branches which hold the deposits of the middle class people. Therefore, any measure likely to weaken public confidence in those large banks is likely to be avoided.

Towards large American banks like Chase and National City, the average Londoner is said to be much more suspicious. Those institutions are regarded here as highly imperialistic enterprises, exerting a powerful influence on American government policies. Because of this strange belief the general reaction here to the news a few months ago of a Wall Street loan to the Netherlands was unfavorable. Britishers concluded that American commercial banks were bursting with dollars which they wanted to lend all over Europe. To the man of the street in London, loans by the Export-Import Bank to European countries are much more palatable.

The British are extremely sensitive to the flight of capital, and want to prevent it at all costs. To the same man of the street, multilateral convertibility of exchanges is synonymous with freedom of the wealthy to take their capital abroad. Here is an important clue to the British fear that Bretton Woods involves dangers to this country.

The British, of course, have something of a phobia over the so-called "rigidities of the gold standard." They attribute their troubles of 1931 to that monetary system. Between that British attitude of the masses and the gold views of Mr. Winthrop Aldrich of the Chase National Bank, who is now in London, there is the widest gap.

Livingstone & Co. Opens in San Francisco

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Livingstone & Co. has been formed with offices at 206 Sansome Street, to conduct a general investment business. Officers are Willard H. Livingstone, President and Treasurer; Clara N. Livingstone, Vice-President and Director, and Thelma C. Watson, Director.

Mr. Livingstone was formerly President of Bankamerica Company in San Francisco. Associated with him in his new firm will be William H. Bluhm and Charles R. Livingstone, both of whom were with First California Company.

Now With Mason Bros.

(Special to The Financial Chronicle)

OAKLAND, CALIF.—**Ivan E. Miller** has become connected with **Mason Brothers**, Central Bank Building. Mr. Miller was formerly with Frank Knowlton & Co.

Monetization of Idle Silver by Treasury

The monetization of 300,000,000 ounces of silver planned by the Treasury will about exhaust idle stocks available for that purpose, a spokesman stated on Aug. 11, according to Associated Press advices from Washington on that day, which went on to say:

"The monetization, which will take place from time to time rather than all at once, will make possible the issuance of about $387,000,000 in silver certificates," the spokesman said.

"The Treasury has approximately 700,000,000 ounces of silver bullion, unpledged for money. About 400,000,000 ounces is being utilized temporarily in war industry or has been transferred to other governments under lend-lease. The latter arrangement is made under a definite pledge of return.

"It is probable the new silver certificates will be $1, $5 and $10 bills, for these are in greatest demand. Silver certificates run as high as $1,000, but of this top issue there are only 10 in circulation.

"Incidentally, there are still about 36,000,000 $2 bills in circulation, despite reluctance of many people to carry them. About 1,500,000 are silver certificates.

"Monetization of the 300,000,000 ounces will make the Treasury a paper profit of about $246,000,000, for as 'free silver' it is carried on Treasury books at cost, which averages about 47 cents. As monetary silver it rates a value of $1.29 an ounce.

"Because of demands from other countries and by industry the Government has bought little silver since 1942."

Feromack Securities Corp.

(Special to The Financial Chronicle)

ST. PAUL, MINN.—Feromack Securities Corporation has been formed with offices in the Guardian Building to engage in an investment business. Officers are Frank J. Ferrin, President; Jay V. McCoy, Vice-President, and William H. Gurnee, Secretary and Treasurer.

Howard Rath Joins Sutro & Co. in L. A.

LOS ANGELES, CALIF.—Howard G. Rath has become associated with Sutro & Co., Van Nuys Building, it is announced by Frank F. Hargear, resident partner. Mr. Rath, one of the senior members of the Los Angeles Stock Exchange, who maintained his own brokerage and investment firm in Los Angeles for 35 years, has just been discharged from active overseas duty with the A. A. F.

Greene & Co. Admits Eugene Ward as Trader

Greene & Co., 37 Wall Street, New York City, announce that Mr. Eugene Ward, formerly with Petronio & Co., has become associated with them in their trading department.

Railroad Securities

Denver & Rio Grande—Status of Reorganization Plan

When the U. S. Circuit Court of Appeals, on May 10, 1945, reversed the District Court which had approved the last of many plans approved by the Commission, doubts were raised as to whether the Denver plan would be consummated. In fact, the market in "when issued" profits on Denver securities, around 70% prior to that decision, plummeted downwards to 30%, at which level a nominal market exists.

To properly appraise this Circuit Court of Appeals decision, an understanding of the historic decisions of Justices Douglas and Reed in the Milwaukee and Western Pacific cases, respectively, is necessary. In essence both justices reaffirmed absolute priority, as originally upheld earlier in the century in Northern Pacific vs. Boyce. The Circuit Court in the Denver case followed the precedent set in the Milwaukee and Western Pacific cases. These justices (CCA) emphasized that with total capitalization of the reorganized company insufficient to satisfy in full all claims against the debtor, there arose a contest between various holders of different rank or priority. With claims of senior bondholders satisfied in full, the Circuit Court held that junior bondholders had been unfairly treated in that (1) net increase in working capital of $10 million had been at the expense of junior bondholders as were also (2) prepayment of Rio Grande Junction Railway 1st 5s ($2.7 million), (3) release of Utah Fuel Co. without crediting the claim for the value of the collateral, (4) retirement of $1.2 million of equipment trust obligations and (5) substantial new capital expenditures, including Centralized Traffic Control, all of which will make the Denver a more efficient carrier post-war.

An appeal may be filed in the U. S. Supreme Court for a writ of certiorari. More probable is the remanding of the plan to the Commission and the rewriting of a new plan.

Under the presently proposed plan, attacked so vigorously by the Circuit Court of Appeals, fixed debt was to have been reduced from $147.12 million (including obligations of Denver & Salt Lake) to $55.6 million, and including contingent debt, to $74.71 million. New fixed charges would have been reduced from $6.6 million to $1.69 million and including contingent interest (but excluding capital fund and sinking funds) to $3.83 million.

During the reorganization period Denver has virtually rebuilt its property, installing Centralized Traffic Control throughout practically all of its system. Gross capital expenditures in the period 1937-44 totaled $43.7 million, equivalent to $15,541 per equated track mile, second to New Haven as among the reorganization carriers, and total maintenance expenditures amounted to $111.4 million, equivalent to $39,599 per equated track mile.

Denver benefited greatly from the war, being an essential link together with Western Pacific in providing a western terminus for traffic interchanged with the MOP at Pueblo and the Rock Island and Burlington at Denver. As compared with average gross of $27 million in the 30s, war time revenues reached $73.69 million in 1944. Applying these earnings to the Commission plan as approved by the District Court, but reversed by the Circuit Court, fixed and contingent charges on an overall basis would have been covered as much as 4.75 times in the peak year 1942, with earnings of $44.26 and $36.32 per share on preferred and common stock, respectively. We estimate that in a "normal" post-war year, net available for charges should reach $8 million. This would have provided an overall coverage of 2.08 times with earnings of $12.80 and $7.22 for both the preferred and common stocks, respectively.

Finances of the Denver are satisfactory, as of March 31, 1945, working capital totaling $16.76 million as compared with only $2.94 million at Dec. 31, 1938. Denver's net investment in emergency facilities, amortizable on a five-year basis, amounting to $13.2 million at the end of 1944, will doubtless be translated into working capital (to the probable extent of 60%) through the medium of tax credits.

Taxes of the Denver have mounted rapidly, Federal income and excess profits taxes reaching $6.81 million in 1943, $5.15 million in 1944 and $2.48 million for the first four months of 1945. These taxes provide the Denver with an excellent cushion against the inevitable decline in both gross and net earnings in the reconversion period.

With odds now in favor of a new plan, the more junior of the Denver bonds, particularly the 5s of 1955, appear to possess speculative attractiveness. The senior 1st Trust 4s, 1939, can be characterized as a good conservative investment, affording possibilities of moderate further appreciation. Relative to risks involved, the Consolidated 4s and 4½s, 1936, appear to possess greatest possibilities of profit in the event of either a new plan being promulgated by the Commission or passage of the Hobbs Bill with more liberal allocation.

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)
BEVERLY HILLS, CALIF.—**Frank D. MacNaughton** has been added to the staff of **Boston Commonwealth Corp.**, 9631 Wilshire Boulevard.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**Theodore Stratton** is with **Cunningham & Co.**, Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, MO.—**Theodore F. Houx, Jr.**, has joined the staff of **Herrick, Waddell & Co., Inc.**, 1012 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**J. H. Wichman** has joined the staff of **Crowell, Weedon & Co.**, 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Harry F. Maidenberg** is associated with **Investment Fund Distributors**, 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
MIAMI BEACH, FLA.—**William J. Hills** is with **Atwill & Co.**, 605 Lincoln Road.

(Special to THE FINANCIAL CHRONICLE)
OAKLAND, CALIF.—**Charles J. Maguire** is now affiliated with **Capital Securities Co.**, 29 Grand Avenue. He was previously with Franklin Wulff & Co.

(Special to THE FINANCIAL CHRONICLE)
RENO, NEV.—**Robert F. Schmitt** has been added to the staff of **First California Company**, 55 Sierra Street.

(Special to THE FINANCIAL CHRONICLE)
ST. PETERSBURG, FLA.—**George H. Thorpe** has become associated with **Thomson & McKinnon**, 340 Central Avenue.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF.—**Frank Paul** is with **First California Company**, 300 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)
SANTA MONICA, CALIF.—**Sergius L. Rolbein** has become affiliated with **E. F. Hutton & Co.**, 936 State Street.

(Special to THE FINANCIAL CHRONICLE)
WATERLOO, IOWA—**Archie W. Linde** is with **Slayton & Co., Inc.**, 111 North Fourth Street, St. Louis, Mo.

Carpenter Named to Convention Group of Commerce Ind. Assn.

Dean Carpenter, general manager of the Roosevelt Hotel in New York has been appointed a member of the Executive Committee of the New York Convention and Visitors Bureau of the Commerce and Industry Association, Inc., F. J. Andre, President of Sheffield Farms, Inc., and Chairman of the Committee, announced on Aug. 7. Mr. Carpenter will bring to the Committee a wide experience in the hotel and business promotion fields and will represent the Hilton Hotels Company which operates hotels throughout the country. In New York, the Hilton group includes the Plaza as well as the Roosevelt.

"The appointment of Mr. Carpenter is in line with the Committee's plan to organize a vigorous campaign for convention and tourist business in the post-war years", Mr. Andre said. "New York must be ready to enter competition for the millions of dollars in travel business in the post-war era for which the competition will be keener than ever before".

Denison With Mitchum Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—Frank J. Denison has become affiliated with Mitchum, Tully & Co., 650 South Spring Street. Mr. Denison in the past was associated with Calvin Bullock, which firm he represented in various sections of the country.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

Insurance stock prices have followed the general downward reaction of the market since the break from the high on June 26. The comparative decline of fire stocks, casualty stocks and industrials has been as follows:

	June 26, 1945	Aug. 8, 1945	Decline
Dow Jones Industrials	168.92	161.83	—4.2%
Std. and Poor Fire Stock Index	129.8	121.1	—6.7%
Std. and Poor Cas. Stock Index	164.4	159.0	—3.3%

It will be noted that the fire stocks went off more than the Dow Jones Industrial Average, while casualty stocks went off less. From the first of the year to the June 26 high, however, fire stocks had advanced somewhat more rapidly than industrials, though not as rapidly as the casualty stocks.

	Dec. 31, 1944	June 26, 1945	Advance
Dow Jones Industrials	152.32	168.92	10.9%
Std. and Poor Fire Stock Index	116.3	129.8	11.6%
Std. and Poor Cas. Stock Index	143.0	164.4	15.0%

A few individual stocks resisted the decline. For example, the bids on American Surety and Springfield Fire and Marine were the same on August 8 as on June 26, viz: 65 and 116½ respectively, while the bid on Security of New Haven declined only one point, from 34 to 33. On the other hand, relatively severe declines were sustained by Hanover Fire, whose bid dropped from 28½ to 25⅝; Hartford Fire, which dropped from 111½ to 101½; Home, from 28¾ to 26; Insurance of North America, from 101 to 93½; National Fire, from 60 to 56½, and Phoenix, from 90¼ to 84.

It is perhaps of interest to look back eight years to the summer of 1937. On June 23rd of that year the stock market, as represented by the Dow Jones Industrial Average, was approximately at the same level as the high of June 26, 1945. But fire and casualty insurance stocks were considerably lower than they are to-day. The relative position of the three groups of stocks is as shown in the following table:

	June 23, 1937	June 26, 1945	Change
Dow Jones Industrials	169.01	168.92	------
Std. and Poor Fire Index	101.4	129.8	+28.0%
Std. and Poor Cas. Index	106.3	164.4	+54.7%

Despite this advance of the insurance groups while industrials merely regained their former level, and which advance puts the fire and casualty stocks above their previous 1936-37 highs of 124.3 and 131.0 respectively, they are still priced, with few exceptions, at a discount from their current liquidating values.

Operating results of a few leading companies for the first six months of 1945 have been published. Insurance Company of North America, for example, reports substantial gains in assets, policyholder surplus and premium volume. Net premiums written were 11% greater than during the first half of 1944; underwriting profits were at a break-even level while net investment income was up 11½%. Total net operating profits were $1.43 per share compared with $0.72 for the similar period last year, and parent company liquidating value was $108.14.

St. Paul Fire and Marine also reports increased premium volume, profitable underwriting operations, and substantial gains in total assets and policyholder surplus. Consolidated liquidating value was $70.33 compared with $63.86 on December 31, 1944.

Continental and Fidelity Phenix, co-owners of the America Fore group, report substantial increases in premium volume over the first half of 1944. Continental's assets and policyholder surplus were up appreciably; the latter figure was $107,209,369, marking the first time in the company's history when it has exceeded $100,000,000. Both companies report moderate underwriting profits and improved net investment income. Liquidating values, on a parent company basis, are reported at $59.41 for Continental, and $65.06 for Fidelity Phenix. This compares respectively with $52.39 and $56.58, as of June 30, 1944.

As regards casualty companies, so far as reported, premium volume in general is above the first half of 1944, but the record is spotty. Twenty companies, as thus far compiled by Best, show aggregate results as follows:

Admitted assets		up 8.9%
Policyholder surplus		up 12.9%
Premium reserves		up 6.3%
Net premiums writtetn		up 3.2%
Loss Ratio	up from 44.2%	to 45.7%
Expense ratio	up from 41.0%	to 42.6%
Stat. und. profits		down 20%
Net investment income		up 15%
Dividends		up 1.5%

Well selected fire and casualty insurance are basically sound propositions, and, on a long term basis, all things considered, they appear currently to be somewhat undervalued.

Some Federal Reserve Officials On Gold and Fiat Money

(Continued from page 730)

The dialogue continued: "Mr. Eccles: Very, very well. I feel that we certainly do not need to impose on ourselves these reserves, and if we did not choose to impose reserves we could suspend the reserve requirement altogether, such as the British and Canadians and every other country in the world has done, and they have done it very successfully.

"Senator Murdock. I doubt it very much.

"Mr. Eccles. Very well, I would like to see it done" (pp. 21-22).

* * *

"Mr. Eccles. If you wanted to, you might very well issue them without anything back of this currency, anything back of the Federal Reserve note, as I have advocated for a long time. When the Banking Act of 1935 came along I urged that we eliminate the collateral. It passed the House at that time.

"We are practically the only country in the world that requires collateral. So, if you want to, why not cut off the collateral, the Government bonds back of the money and go ahead as almost every other country in the world does. It is a serious waste of money and an entirely unnecessary one.

"Senator Murdock. I am not arguing the point with you. I just wanted to get the point clear.

"Mr. Eccles. Why have gold or collateral, Government bonds back of your currency? This is the currency of the United States Government, and they are the backers of that money. Why have any collateral back of that?" (p. 29).

"Mr. Eccles. . . . The fact that we have back of our currency gold or securities in no way aids this country. Whether or not you have backing to your currency in no way restricts the issuance of the currency. I want to emphasize that" (p. 34).

* * *

"Senator Murdock. You don't think gold plays any part at all in the fact today that the dollar is the most desirable exchange?

"Mr. Eccles. I don't think so" (p. 47).

Ruml's Views

Beardsley Ruml, Chairman of the Board of Directors of the Federal Reserve Bank of New York—a chief representative of the Reserve Board on this Board of Directors—says in his book **Tomorrow's Business** (Farrar & Rinehart, Inc., New York, 1945), p. 186: "In an essential and final sense, the value of the [Federal Reserve] notes lies, not in their convertibility into gold and other commodities, but in the fact that they can be used to discharge obligations which are enforceable under the law."

And on pages 185-186 he says: "We all know that we can no longer turn our money into gold. We wonder, sometimes, what makes our money good." He says, further, pages 186-187: "The fact that paper dollars are legal tender gives them a certain value; what this value will be depends on how scarce or how plentiful these dollars in use for the purchasing of things are as compared with the quantity of goods and services offered for sale."

John H. Williams' Views

John H. Williams, Vice President of the Federal Reserve Bank of New York, and of the faculty of Harvard University, in his testimony on the Bretton Woods Agreements bill, before the Committee on Banking and Currency, United States Senate (**Hearings**, Part 4, June 21 and 22, 1945) revealed something of his position on gold in the following dialogue (pp. 343-344):

"Senator Murdock. When you talk of a 'sound dollar' referred to by Senator Millikin, do you—I will put it this way: Of necessity must there be a gold base in order to have a sound dollar?

"Mr. Williams. I don't think so."

* * *

"Senator Murdock. He [Eccles] thinks that gold is not at all necessary—

"Mr. Williams. I don't think it is.

"Senator Murdock. To a sound currency.

"Mr. Williams. I think under modern conditions even the gold standard is a different thing from gold. One can set up a standard which he calls the gold standard and not have any gold in it at all, and yet it would be what we essentially mean by a gold standard, if you have fixity of exchange rates and a flow of currency from country to country, for example, through the use of the fund with no gold in it, or the use of Keynes' clearing union; and if that international money transfer affects bank reserves and bank deposits in the way that a gold flow would, then you have all the essentials for a gold standard without any gold.

* * *

"Senator Taft. May I quote Mr. Eccles and see whether he agrees? Mr. Eccles reduced the gold back of the Federal Reserve notes from 40% to 25%. Mr. Eccles said that he saw no necessity for any gold reserve and that the volume—he was willing to fix 25% as a concession to an outworn prejudice. I remember his language.

"Mr. Williams. I agree with him."

* * *

"Mr. Williams. I remember when we were all discussing the Bank Act of 1935. One suggestion I made in discussing the Bank Act of 1935 was that the gold reserve behind the Federal Reserve note be removed. That is unnecessary.

"Senator Murdock. Well, may I ask this question: Do you think that there must be a common denominator in the form of gold if an international fund such as we are discussing is to be successful?

"Mr. Williams. Well, I do not think so. You might approach the problem another way: If you have gold and it has been the international monetary unit, what advantages do you see in giving it up? That is a different question. I believe in evolution, not revolution. I don't see any reason why we ought to give up gold as an international money if we can find effective ways of using it. The thing is to make the system work. The difficulty isn't with the gold; the gold is all right. It has some advantages. One very large advantage is that a lot of people believe in it. That is important.

"Senator Murdock. It is very important.

"Mr. Williams. It is very important.

"The Chairman. Of psychological importance.

"Senator Murdock. I want to get all the gold I can out of the banks.

"Mr. Williams. People will accept gold in payment when they won't accept other things. Now, that is just so. But it is a different question when you ask do I think you could set up a monetary system without gold. I think the answer is 'yes,' except under more primitive conditions. It is an evolution, really, to the point where you don't need gold, if you can reserve it.

"Senator Millikin. I should like to suggest that the individual not only likes gold, but recent testimony has shown that those nations that have dollar balances here are in a very big hurry to have them more and more in gold.

"Mr. Williams. Is that right?

"Senator Millikin. I should like to ask this: If you do not believe that a sound dollar requires a gold reserve, does it require a sound printing press?

"Senator Murdock. A sound what, Senator?

"Senator Millikin. Printing press. [Laughter.]

"Mr. Williams. I don't know what the word 'sound' means.

"Senator Millikin. Well, one that will work rapidly and gush out lots of paper money."

Fallacies Expressed

There are various accurate generalizations that one might appropriately make regarding the significance of these expressions of opinion, taken collectively, in respect to the alleged unimportance of gold in our currency system, assuming that we all desire the best that human ingenuity can devise in the light of the world's experiences with different kinds of money and monetary standards. But because of the differences in the observations made by the three men, as well as the different considerations applicable to each, it seems preferable to examine the views of each man separately.

Chairman Eccles definitely asserts that the idea of maintaining a gold reserve back of our currency is archaic, that reserve requirements are unnecessary, that the Federal Reserve notes could very well be issued without anything back of them, that gold and securities behind these notes "in no way aids this country," and that gold does not play any part at all in the fact today that the dollar is so desirable in foreign exchange.

These opinions, expressed by Chairman Eccles, are significant only because of his official position. They have no value in so far as they may be supposed to reflect the lessons which the world's experiences with money have taught. Indeed, they are a contradiction, in every major respect, of these lessons. They are nothing but the crudest sort of a fiat paper money theory of the value of money, and they are as old and as unsound as inconvertible paper money itself. Such ideas are common among laymen who have not studied or do not understand the lessons to be derived from the world's use of inconvertible paper money, but they are not to be found among the conclusions of careful, objective, and reputable scholars.

It would perhaps serve no useful purpose to take space to pile up samples of the available evidence which refutes every contention made by Chairman Eccles. Our libraries on money are full of reputable works which would deny the validity of his notions.

If it be true, as this author asserts, that Chairman Eccles' views on money are in direct conflict with what the world's experiences with money teach, then, perhaps, the question of most importance to the reader and to the country is whether Mr. Eccles has the power to force his views into our laws. It is not easy to say; he has "accomplished" some things in this direction. One may recall the part he played in converting $660,000,000 of Federal Reserve bank notes into a fiat paper money (so-called National Currency notes), beginning in December, 1942. But his influence in behalf of a fiat paper money in that case was shown not by his being able to persuade Congress to write his theories into law but by a violation by the Reserve and Treasury authorities of the laws of Congress relating to the issuance of those notes. By a law, signed on June 12, 1945, Congress put an end to the further issuance of these notes.

One of the peculiar and paradoxical features of this law of June 12, the main provisions of which were directed toward the reduction in reserve requirements of Federal Reserve banks, is in the fact that the reserves now provided for, with the approval, and, apparently, upon the recommendation, of Chairman Eccles, were restricted to gold certificates—the paper money most closely tied to gold—while all other Treasury currency was excluded as lawful money for reserves in these banks. In the light of his theories, Chairman Eccles should have fought for the exclusion of gold certificates and the inclusion of all non-gold money, particularly his fiat National Currency notes, as reserves for the Federal Reserve banks in so far as the quality of the reserves is concerned and recognizing, of course, that he insists that reserve requirements for these banks should be suspended altogether.

In short, it is the judgment of this author that the Eccles theories in respect to gold, reserve requirements of banks, and fiat paper money are chiefly fallacious and extremely dangerous in the light of the lessons taught by the world's experiences with money, and that in his policies and practices one finds little beyond contradictions and inconsistencies in so far as principle is concerned.

Criticism of Ruml

Beardsley Ruml's theory as to the value of money is that of the fiat paper money quantity school of thought. This is a thoroughly discredited theory among careful and experienced monetary scientists. It is the type of thinking found, apparently most frequently, among the uninformed on monetary history and principles — among those who seem to suppose that all anyone need do to know the proper answers to questions of monetary standards and systems is to cogitate for, say, five minutes.

One may well wonder after reading Mr. Ruml's statements whether he has ever read anything of importance on the experiences of the United States with greenbacks during the period 1862-1879. There is nothing in his statements as to what he thinks gives paper money its value that would not apply to the greenbacks during the years indicated. He seems to be completely unaware of the lessons provided by our experiences of that period with the type of paper money he advocates, to say nothing of the almost endless number of similar lessons to which he could turn in our voluminous literature on this subject. Wesley Clair Mitchell's **History of the Greenbacks** should be sufficient to demonstrate to him, or to anyone else, the serious errors in the quoted portions of his observations.

"We all know," says Mr. Ruml, "that we can no longer turn our money into gold. We wonder, sometimes, what makes our money good." One may readily suppose that that is precisely so—he "wonders" rather than finds out. He apparently has made no study of the machinery of **indirect conversion** of our Federal Reserve notes into gold which removes them from the type of money into which he improperly places them.

Our System Linked to Gold

Under our system of a restricted international gold bullion standard, our domestic currency became, after devaluation of our gold dollar on January 31, 1934, inextricably linked to gold by a system of **indirect**, rather than **direct**, conversion. Since that date, and under this system no domestic dollar, whether paper or silver, has parted company with gold. This was not the case from March, 1933, to January 30, 1934, or during 1862-1879; and in these experiences alone Mr. Ruml could, if he would take the time to find out, discover the principles determining the value of money which would reveal the error of his observations quoted above.

This author's pamphlet, **The Case for the Gold Standard** (Economists' National Committee on Monetary Policy, 1 Madison Ave., New York, 1940, 35 pp.), will provide Mr. Ruml with a brief though adequate explanation of how this system of indirect conversion operates to keep our domestic currency on a parity with gold. It also outlines some of the disadvantages to the people of the United States in being compelled to live under such a system — among other things, it points out that our gold is readily available to foreigners but not to our own people.

Some brief excerpts and some summarizations from that pamphlet (especially from pp. 10-11) on the nature of this indirect conversion of our domestic currency should be sufficient here to show how it works and why our domestic currency is maintained on a parity with gold without direct conversion.

When the President, under authority of the Gold Reserve Act of January 30, 1934, devalued the gold dollar by raising the gold-dollar price of an ounce of gold to $35, he announced to the world that we stood ready to buy and sell gold at that price. "From the citizen of the United States who mines gold the government will buy it all at the same price—$35 per fine ounce—and, for use in the professions, arts, and industry the government will sell gold at that price. . . . When gold is purchased from foreign exporters, deposits on the books of our banks are created at the rate of $35 per fine ounce. Other bank deposits and our paper and over-valued silver currency are interchangeable with these bank deposits. When gold is purchased from domestic miners they, too, are paid at the rate of $35 per fine ounce, and the resulting bank deposits are indistinguishable from other domestic bank deposits and from those arising from foreign sales of gold to us.

"In this manner, gold, bank deposits—foreign and domestic—and our domestic paper and silver money become interlaced with one another and have the same purchasing power domestically. Thus our domestic currency is prevented from depreciating in terms of gold because, in our dealings with foreigners, the government stands ready to export gold upon demand—in other words, gold works where our domestic currency cannot function so well—and because of a system of indirect convertibility which operates through the interrelations existing between gold, deposits, silver, and notes.

"Although the most certain guarantee against depreciation of a paper money or cheap silver in terms of gold is direct convertibility, it seems reasonably clear that the present system of indirect convertibility may maintain the value of our domestic currency in terms of gold for a long time.

"Our currency can depreciate in terms of gold only if the people can find some way to outbid our government in buying gold or if the government itself depreciates the dollar further.

"The prospects of our people outbidding our government in buying gold are small; people would have to go into foreign markets with dollars and pay more than $35 an ounce for gold. Only some great financial catastrophe—impending or actual—which would invite a flight of capital could give rise to this situation. It is, of course, possible, but there is nothing now to indicate that it is probable."

Prof. Williams Refuted

The statements of Professor Williams are more puzzling, partly because he is supposed to be a careful student of money and partly because of the nature of the statements quoted. In one reply he states unqualifiedly that he does not think a gold base is necessary to provide us with a sound dollar. In another he says that he agrees with Mr. Eccles that a gold reserve is not necessary and is a concession to outworn prejudice. Both put him in the fiat paper money school of thought, and on that all that one need say is that Professor Williams is just as wrong as any other advocate of fiat money. How he can become such an advocate in the face of all the evidence which refutes him at every turn is a question which perhaps only he can answer.

His other observations seem to add nothing in the way of clarity. To say that "One can set up a standard which he calls the gold standard and not have any gold in at all" is to use mere words lacking in substance. To call a paper standard a gold standard is to confuse unlike things; this is not scientific procedure. But it is by such a confused "analysis" that Professor Williams is able to place himself among the other "modern" John Laws of "advanced thinking" in monetary matters.

Has Anti-Gold Bug Bitten the F. R. B.?

These are not, by any means, the only men, high up in the Federal Reserve System, who have expressed anti - gold, pro - fiat paper money views. Some of the members of the Reserve Board's staff have placed themselves in this "school of thought." What seems to be another surprising instance in which some variety of this anti-gold bug appears to have bitten a Federal Reserve official is found in the case of Allan C. Sproul, President of the Federal Reserve Bank of New York. In his testimony before the Banking and Currency Committee of the

(Continued on page 750)

Mutual Funds

Peace Is Fundamentally Bullish

The rapid progress of developments toward world peace during the past few weeks brings interesting and significant reports from three Mutual Fund sponsors citing bullish interpretations for business and securities.

National Securities & Research Corp., in the current issue of Investment Timing, quotes the following from its July 19, 1945, issue:

"While sudden peace — surrender or negotiated—would probably mean apprehension over a possible degree of temporary chaos, it would be evident that peace would enable industry to effect actual reconversion much more quickly. Hence, fundamentally, peace with Japan should be construed as bullish for the long term."

Six supporting facts are then listed to add strength to this statement.

The article points out that it seems evident that for some weeks now stock prices have adopted the gradual process of discounting peace and the early reconversion period to follow.

The conclusion is reached that "regardless of how it comes about, recent events would indicate that the cessation of hostilities will occur before many months—thus the dawn of a new era of peace and prosperity in business and security prices is in the offing."

* * *

In a bulletin entitled "Minority Report—On Today's 'Two Billion Dollar' Investment Question," **Hugh W. Long & Co.** asks: "Will the atomic bomb engulf the country in prolonged recession because of insufficient planning for the end of the war?"

The article then points out that although the majority view on the duration of a business recession following the war appears to be powerfully influenced by current stories out of Washington on delays in the reconversion program, experience shows that successful investors have often been those who have held opinions on economic and financial questions which were widely at variance with mass psychology.

In the interest of performing a service to investors who are in danger of being guided by emotional thinking, this sponsor quotes a number of highlights from the August letter of the National City Bank of New York which makes a deliberate and calm appraisal of the reconversion problem.

* * *

Lord, Abbett, in a current Investment Bulletin on **American Business Shares**, brings to attention some new thoughts with regard to the "cosmic" bomb. The first being that this dramatic development is another refutation of the pessimistic opinion that the minds of men have gone as far as they can go and that progress has taken all of its possible forward strides.

The second is that sooner or later this availability of the energy of the atom may bring radical industrial changes.

"Such thinking admittedly reaches far into the future as far as the industrial use of atomic energy is concerned. Symbolic it is, however, of the constant changes taking place in industry, and suggestive it is of the wisdom of those who accumulate 'an anchor to windward' in the form of a carefully diversified and constantly supervised portfolio of investment securities."

Basis for Boom in the Heavy Industries

Returns from a Department of Commerce survey are used in a current Investment News by **Distributors Group** to demonstrate the boom which is evident for the heavy industries. The survey, which covers nearly 7,000 manufacturing companies, indicated that expenditures for capital goods in the first year after V-E Day will amount to $4.5 billion.

A companion survey by the Department of Commerce reveals that manufacturing companies plan to spend an additional $2.8 billion for increasing inventories of non-military goods and $1.9 billion for increasing trade receivables or credits.

"Based on these figures," continues **Distributors Group**, "the evidence appears conclusive that the heavy industries—steel, railroad equipment, industrial machinery, etc., and the railroads—are clearly destined to be prime beneficiaries of the prosperity ahead."

Railroad Equipment Industry

In a covering letter to dealers, presenting a new folder on the **Railroad Equipment Industry Series of New York Stocks, Hugh W. Long & Co.** reports that railroad equipment stocks appear attractive from several points of view. First of all, railroad equipment shares need a 47% advance to reach their 1937 highs, while the Dow-Jones Average is within 14% of its 1937 high. And, secondly, "a better way to measure value, is to compare present prices with peacetime prospects for the industry."

National Income and Stock Prices

In the current issue of The Keystone Investor, **Keystone Corp.** presents a chart showing national income compared with the Dow-Jones Industrial Stock Average from 1928 to the present. The chart shows that in 1929 when national income was $86 billion the Stock Average reached a high of 381. At the top of the market in 1937 the Stock Average was 194 while the national income was $71 billion and at the high of the market in May of this year the Stock Average was 169 and the national income in 1944 was $160 billion.

The report states that the level of national income is significant marketwise because it determines the general level of business activity and corporate earnings. "It is also the source of new money seeking investment employment." The study then brings to attention the fact that the stock market has lagged behind the increase in national income during the past four years.

* * *

Mutual Fund Literature

Keystone Corp. — Semi-Annual Reports dated June 30, 1945, on **Keystone Custodian Fund Series B-1 and Series K-2**; charts showing performance of all 10 **Keystone Funds** from 1940 to date; current issues of Keynotes. . . . **Distributors Group** — Portfolio folders for July on **General Bond Shares, Low Priced Shares** and **Railroad Bond Shares**; July 31 Investment Report on **Group Securities, Inc.**; current Steel News. . . . **Lord, Abbett**—Latest issue of Abstracts. . . . **National Securities & Research Corp.**—Descriptive bulletins on **National Speculative Series** and **National Selected Groups Series**. . . . **Selected Investments Co.**—Current issues of "These Things Seemed Important." . . . **Hare's, Ltd.**—Semi-Annual Report dated June 30, 1945, on **Institutional Securities, Ltd.**; current folder on **Bank Group Shares.**

* * *

Dividends

Fundamental Investors, Inc. — Quarterly dividend of $0.22 per share payable Sept. 15, 1945, to stock of record Sept. 3.

Institutional Securities, Ltd.— A semi-annual dividend of $0.0275 per share on **Bank Group Shares**, payable Sept. 30, 1945, to stockholders of record Aug. 31.

Some Federal Reserve Officials On Gold and Fiat Money

(Continued from page 749)

United States Senate, June 21, he said (**Hearings**, Part 4, p. 314): "Under the gold standard we committed ourselves to give away or to sell our goods and services **in return for gold for which we did not have any particular use, in unlimited amounts.**" (Bold face supplied by this author.) The bold face portion is a currently popular cliche, sometimes used, unfortunately, by people who should understand its fallaciousness.

Briefly, if we export goods or services, can anyone name any type of monetary payment that is better than gold? Is there any money known to man that has a more universal purchasing power? Or any money that is less likely to lose its value? And since we took this gold, can we not use it when and where we please to buy goods and services? Just because we did not happen to buy with it immediately upon its receipt, does that justify the statement that it "did not have any particular use" for us? The answers would seem to be obvious. But in addition to what it will always buy, there is the further fact that it is extremely important that we have as much gold as we can keep against our very greatly expanded paper money, bank deposits, and commitments to make heavy payments to other countries which may be expected to know the difference between paper and gold and to demand the gold when they want it.

Why such reasoning as that revealed in the quotations above is to be found among these men in such high places is somewhat mystifying. One rather expects to find monetary demagoguery in Congress during a severe business recession and depression, and it is not surprising to find many people uninformed on monetary matters, who have lost their perspective during a period when suspension of specie payments is widespread throughout the world. But one should not be able to find such shortsightedness and lack of understanding of the issues surrounding gold and fiat paper money among men holding key positions in our Federal Reserve System.

An Explanation

This situation would appear to mean that if Congress should embark upon some fiat-paper-money, indirect-debt-repudiation scheme, the people of the United States could count on little or no help from these and certain other Federal Reserve officials.

Henry Hazlitt, in his Monday financial article, **The New York Times** of July 30, may have pointed to the explanation of this unfortunate situation when he said: "When political movements have acquired a certain momentum, they grow and wane less because of the merits of the argument than by contagion and example. There is always a large group that is eager to align itself with the supposed 'wave of the future.'" Could it be that these Reserve officials think that they are riding the "wave of the future"?

Regardless of what the correct explanation of it may be, this phenomenon at least seems to be another manifestation of man's frequent unwillingness to learn from, and to profit by, past experiences. It also seems to reflect the oft-expressed hope or belief that we can still make something out of nothing—that we can find a way to make a piece of paper as valuable as gold without making it convertible, directly or indirectly, into gold.

Steel Payrolls Increase Sharply Despite Fewer Number of Employers

Steel company payrolls during the first six months of 1945 increased sharply over the corresponding period of 1944, according to the American Iron and Steel Institute. At the same time employment during the first half of 1945, averaging 565,700 persons per month, declined from the 576,000 persons per month averaged during the first half of 1944. The Institute's statement further adds:

"The six-month total payroll of 1945 was $888,731,000, contrasted with $849,465,000 paid by the industry to its employees in the first six months of 1944. The figures are not strictly comparable, however, due to the extent that provisions for retroactive wage increases authorized by the War Labor Board are reflected in the montly totals for 1945.

"In June, wage-earning employees of steel companies earned an average of 127.2 cents per hour, which was very close to the record of 127.3 cents per hour earned last March. Nevertheless, the industry's payrolls declined in June to $144,082,600 from $154,035,100 in May. Payrolls in June 1944 totaled $140,484,400.

"During June an average of 561,800 employees was at work in the industry, compared with 564,600 in May and 569,800 in June 1944.

"Wage earners worked an average of 45.5 hours per week in June, compared with 47.3 hours per week in May and 47.7 hours per week in June 1944.

"The average hourly earning figure of 127.2 cents compares with 126.4 cents per hour in May and 117.7 cents per hour in June 1944".

With Wasson & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Charles E. Pryor** has become connected with **Wasson & Co., of Ohio, Inc.** Mr. Pryor has recently been with the O.P.A. In the past he was with Ten Winkle Stieglitz and was local manager for Douglas & Co.

OUR REPORTER'S REPORT

Things often happen for the best and that certainly proved the case in the instance of the current lull in the new issue market this week. Like most everyone else in business the investment banker would rather be busy and enjoy the opportunity to take in a few dollars.

But under circumstances prevailing this week inquiry very likely would find that the current hiatus was most welcome among the underwriting fraternity.

Short-handed to begin with, due to delayed vacations resulting from the July rush of well over a billion in new issues, bond men would hardly have relished bringing out any sizeable amount of corporate offerings with the war situation up in the air as it had been since last week-end.

The Nips have certainly complicated matters in the course of finally accepting the Allies' unconditional surrender terms. They have sought to move mountains to "save face", but in the net result they haven't saved very much.

However in the course of their stalling the financial markets have been given more or less to marking time. No acute weakness has been apparent. On the contrary the surprise has been the absence of any appreciable liquidation.

But traders naturally have hesitated in the matter of making new commitments, and it is a safe assumption that investors, institutional, as well as individual, would have been treading slowly had any substantial issues of new securities been brought to market.

Given an opportunity to appraise the changed situation, the investment market doubtless will be in good shape for the resumption of new offerings which is expected to assume sizeable proportions after the Labor Day holiday.

Amer. Telephone Plans

Having successfully concluded the marketing of an issue of $175,000,000 of 2¾% debentures only a fortnight ago, American Telephone & Telegraph Co. is now reported preparing to register with the Securities and Exchange Commission for another big piece of refinancing.

This time the company is said to plan a flotation of a new issue of sufficient size to retire $160,000,000 of outstanding 3¼% debentures, due to mature in 1966.

Although no definite date has been set, it is believed that the company figures on the latter part of September. The same two banking groups which competed for the earlier offering are expected to seek the new debentures. The company was a trifle disappointed at having to take less than par for the 2¾s at that time. It will be interesting to see what happens on this occasion.

Minnesota Power & Light

Public utility firms are pushing refunding plans in a manner which indicates that they will probably outdistance the railroads as a source of new emissions in the next few months.

Among the companies which have registered with SEC for sizeable refinancing programs is Minnesota Power & Light, which plans $26,000,000 new first mortgage bonds and $6,000,000 of ten-year serial notes to retire $32,289,000 of outstanding bonds.

This operation is planned as part of an overall program aimed at improving and simplifying its capital structure and removing a lien of certain indebtedness on property purchased from Great Northern Power Co.

Consumers Power Co.

A refinancing which promises to run second only to those being undertaken by American Telephone & Telegraph was placed in the mill by the Consumers Power Co. earlier this week when it registered with the SEC a plan for replacing its outstanding bonds and preferred stock.

The company proposes to sell in competitive bidding $113,825,000 of new first mortgage bonds, due 1975, and $15,000,000 of instalment notes. The proceeds of these issues plus $12,000,000 of other funds would be applied to retirement of its outstanding senior securities.

The latter includes $113,825,000 of bonds, and 191,924 shares of $5 preferred stock. Hearing by the Commission was due to be held today.

To Examine England's Plans for Rebuilding

J. M. O. Monasterio, Vice-President of Mercantile - Commerce Bank and Trust Co., St. Louis, has been appointed by Mayor Aloys P. Kaufman of St. Louis to examine first-hand England's plans for rebuilding bomb-devastated and slum areas, as a means of gathering more information for St. Louis' slum clearance program. Mr. Monasterio departed Aug. 2 for England with W. L. Hemingway, President of the Bank, who will be a delegate to a meeting of the International Chamber of Commerce Council of London. They will be gone six weeks. As a representative of Mayor Kaufman, who recently named an Anti-Slum Commission, Mr. Monasterio will investigate what London and other cities are doing and plan to do about housing. With much of London wiped out by bombings, much planning and some construction already have been done, and it is believed St. Louis could gather valuable information for its own program.

Canadian Securities

By BRUCE WILLIAMS

Canada enters the new industrial age as far advanced as any country in the world. Unencumbered by a burden of obsolescent plants and the methods of a past era, the Dominion alertly views new and wider economic horizons. Lack of population is no longer a handicap: Science and the machinery of the future will increasingly replace human labor. Frigidity of climate now presents no obstacle: modern technology is rapidly uncovering the fabulous riches of Canada's eighth wonder of the world—the 2,000,000 mile area of the Laurentian Shield.

Aided by almost unlimited cheap hydro-electric power, Canada is in the forefront in the production of light metals. Her unrivalled wealth of forests provide a huge reservoir of material for plastics and rayon. Nylon and synthetic rubber can readily be produced from vast undeveloped coal and oil fields. Iron and the base metals will not be readily replaced and Canada's barely tapped resources in this category will be increasingly drawn upon with the depletion of older sources of supply.

Supplementing this almost inexhaustible store of raw materials, Canadian technology and research is also on the highest plane. In the field of radar and electronics it will soon be possible to reveal the Dominion's prominent wartime role. The aviation industry is now firmly established and the recent announcement that Britain's most powerful group of aircraft manufacturers has formed a Canadian subsidiary will give a tremendous fillip to this industry in Canada. In this connection, the Dominion's geographical situation and its enviable position as prolific producer of alloy metals essential to the manufacture of special steels for jet-propulsion motors, will make Canada a formidable challenger in the realm of aeronautics.

Other metals recently added to Canada's formidable list which have acquired added importance in modern industry, are mercury —now used in high-efficiency storage batteries, and tantalum with its widening range of modern utility.

Last but by no means least, the Dominion's vast pitchblende deposits in the North West territories, have since the war made Canada the world's leading supplier of radium and the metal that has just rocketed into world-wide publicity—the wonder element uranium. Contributing vitally to the production of the atomic bomb, Canada, together with this country and Britain, stands first on the threshold of a new economic era which will transcend to an unimagined degree, the ages of iron, steam and electricity.

This week has also seen what promises to be a revolutionary departure in the Canadian form of government. As a result of the current Dominion-Provincial conferences it is likely that Canada will soon implement, as long strongly advocated by Premier Stuart Garson of Manitoba, the recommendations of the Rowell-Sirois Royal Commission, as a result of which the financial position of the weaker provinces will be fundamentally strengthened.

Furthermore it is proposed that the functions of the Dominion and Provincial governments be closely co-ordinated without, however, trespassing on the provincial autonomies. Thus Canada takes a logical and constructive step forward in a manner fitting a leading democracy.

Turning to the market for the past week, another dull period was experienced as expected. Nationals were off about a ¼ point, but Albertas and Internals were fairly actively in demand. Montreals were steady and unchanged. The rescinding of the prohibition on the export of Albertas from Canada raised the price internally about 10 points but the resultant flow of two-pay bonds to this country was comfortably absorbed.

The recent weakening of free funds brought about, as anticipated, an investment demand for internal high-grades, and the exchange rate consequently strengthened to 9 3/16% discount. International Uranium Mining stock was a spectacular feature, rising from 90 cents to a high of $3.55 before reacting to $1.95.

With regard to future prospects, high-grade externals appear to have levelled out at about 1½ points below their recent highs and now appear to be of good investment quality. Internals are again around their highest levels but their inherent attractiveness in contrast with comparable domestic issues should lead to continued demand, especially as speculative holders are now encouraged to maintain their positions.

Refund of Income Tax From Excess Withholding

Secretary of the Treasury Vinson announced on Aug. 2 that the refund of income taxes in connection with excess withholding made during 1944 is being stepped up with a view to completing the work between the 1st and 15th of September. This is a month earlier than the original goal of October 15. The announcement says:

Of an estimated 22 million individual refunds to be made, 10,968,000 refund checks were issued up to July 27, amounting to $481,980,000. Refund checks are now being issued at the rate of 1,600,000 a week. This is being accomplished by working day and night shifts and overtime, and utilizing equipment to maximum capacity.

Refund checks range from a few cents to several thousand dollars, the average being about $45. In order to facilitate payment, refunds are based on tax returns as filed by taxpayers and are subject to later audit by the Bureau of Internal Revenue.

David O. Hirt With Mitchell Trading Dept.

Mitchell & Company, 120 Broadway, New York City, announce that David O. Hirt has become associated with them in the trading department. Mr. Hirt was formerly with the New York office of the Continental Illinois.

Haydock Schreiber Admit

Haydock Schreiber & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Henry B. Bjorkman to general partnership and R. D. Whitehill to limited partnership in the firm as of Sept. 1st.

Unessential Travel by Foreigners to U. S. Discouraged

Discouragement of unessential travel by foreigners to the United States was ordered by the Government on Aug 8 through the State Department, said Washington advices on that date to the New York "Times," from which we quote:

"The Department of State has always traditionally done everything in its power to promote the travel of citizens of other countries of the Western Hemisphere to the United States," said the announcement. "However, the United States Government is now engaged in a gigantic military operation in deploying forces and supplies from the European treatre to the Pacific area. This tremendous task places an unprecedented burden on the transportation system."

The citizens of other countries should realize the situation, the statement said, and postpone trips to the United States unless they were directly connected with the war.

Clayton Quaw Is With Bruns, Nordeman & Co.

Bruns, Nordeman & Co., 323 Broadway, New York City, members New York Stock Exchange, announce that Clayton D. Quaw has become associated with them in their stock and cotton department. Mr. Quaw was formerly with Auerbach, Pollak & Richardson and in the past was a partner in Quaw & Foley.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The last seven days, one of the most momentous and uncertain periods since the war started, saw the Government bond market take it all pretty much in stride. . . . Price changes were minor, aside from the marking-down of the intermediate maturities of the partially exempts to bring the yield, after taxes, of these bonds in line with those of comparable maturities of the taxables. . . . The anticipated early change in excess profits taxes is responsible for this. . . .

From now on, the Government bond market will be concentrating on post-war conditions, which no doubt will be perplexing at times, due to the psychological factors involved. . . . Nevertheless, they will be largely temporary since no change in fundamentals is indicated. . . .

With low money rates the dominating market factor, the advice still holds that advantage should be taken of price recessions to build up positions in issues that fit into one's portfolio. . . .

At times like this, when we are so engrossed with day-to-day developments, there is a tendency to lose sight of fundamentals! Accordingly, money market experts believe now is an opportune time to consider certain basic factors, such as the following, since they will have an important bearing on the post-war markets. . . .

(1) MONEY RATES

Although some concern is expressed over the policies of the new Secretary of the Treasury, there is one thing on which there appears to be no doubt, and that is the trend of money rates, which will continue low. . . . The huge public debt, the large debt service and the fact that a considerable part of the Federal debt consists of short-term, and demand obligations will have an important bearing on interest rates. . . . So long as the Treasury will be borrowing new funds and will be refunding maturing obligations, which will be for a long time yet, it will maintain current low money rates. . . .

Furthermore, the fact that a large portion of the public debt is held by financial institutions makes it politically inadvisable to raise interest rates and thus further increase the interest burden of the country. . . . The adverse effect which rising interest rates would have on prices of long-term Government bonds held in substantial amounts by small and medium-sized banks, is another reason why the monetary authorities will not permit any material upward revision in interest rates. . . .

(2) TAXATION

With the public debt as huge as it is today, it would be exceedingly dangerous for the United States to continue to operate with a large deficit in the post-war period. . . . One of the first tasks of the Government will be to balance the budget and to devise ways and means of gradually reducing the debt. . . . This is imperative because it is impossible to say when another emergency may arise, and a constant increase in the public debt not only leads to increasingly higher taxes, but also has an adverse effect on the purchasing power of the currency. . . . To be sure, taxes will be reduced from the war level. This will probably mean the elimination of the excess profits taxes as soon as feasible to help stimulate business activity. . . .

On the other hand, if the budget is to be balanced, and a moderate reduction is to be made in the public debt, taxes are bound to be high and indications are that the 40% rate will be with us for a considerable period. . . .

(3) BANK DEPOSITS

With business concerns engaged in the task of reconversion, a considerable portion of the short-term Government obligations held by them will be redeemed. . . . Since it is unlikely that the Treasury will be able to pay off these obligations out of current revenues, the commercial banks will be called upon to absorb securities previously held by these concerns. . . . The same method will be used to redeem some of the War Savings Bonds. . . . The return of currency from circulation as well as the inflow of gold, will further contribute to the rise in deposits. . . .

While the total volume of deposits will rise, there is bound to be a considerable shift in deposits from one section of the country to another. . . .

Localities that have benefited materially from the war effort and where the banks witnessed a much greater increase in the volume of deposits than the country as a whole, will probably lose deposits. . . . Rural areas are expected to lose deposits as the large farm savings built up during the war period are spent for durable consumers goods and materials for home repairs. . . . On the other hand, consumers goods localities as well as the financial centers will no doubt witness an inflow of deposits. . . . Thus, the end of the war will be marked by a criss-cross movement of deposits. . . . Since the total volume of bank deposits will continue to increase, however, it is not likely that individual banks will witness as sharp a decline as is generally expected. . . .

(4) CURRENCY IN CIRCULATION, GOLD AND RESERVES

The return flow of currency from circulation and the inflow of gold that will eventually take place will create excess reserves. . . . The need for open market operations by "Federal" to create excess reserves will be greatly decreased and may even be reversed. . . . The excess reserves resulting from the return flow of currency and gold will be invested by the banks in bills and certificates. . . . The time would then be right for the Treasury to finance the deficit through the offering of certificates. . . . The large excess reserve balances created through a return flow of currency from circulation and the increase in the monetary gold stock, will create a favorable market for short-term Government obligations. . . .

Under such circumstances, a material increase in the floating debt and the creation of an artificial shortage of medium-term obligations would no doubt be welcomed by many large banks, particularly those witnessing a rapid increase in deposits as well as those losing deposits. . . .

Impact of the National Debt Upon Banks and the Capital Market

(Continued from first page)

stock-ownership certificates, represented over 92% of the debt instruments in the hands of the public. During World War I the expansion of the national debt greatly increased the role of public securities in the investment market. By December, 1919 the Federal debt was $25,600,000,000 and accounted for 22% of the outstanding debt instruments. The relative importance of private debt obligations in 1919 was less than in 1916, in spite of an increase of 26% in their aggregate amount. During the decade of the 1920's as the Federal debt was redeemed, state-local issues increased both in amount and relative importance but public debts as a whole were not as important as private securities. This was an era of business expansion marked by rising profits and the growth of private securities. The depression of 1929 and succeeding years decreased both the value and relative importance of private debt instruments and brought out clearly the relative superiority to the investor of the more nearly riskless obligations of our political units.

The recovery-relief programs of the 1930 decade, financed primarily by public borrowings, again increased the magnitude and relative importance of public debt instruments in the security market. The decline in private business, which adversely affected interest payments and the security behind private debts, also increased the appraisal of public securities on the part of investors.

Government Issues Now Dominate Investment Market

With the advent of World War II public securities came to dominate the investment market. By 1942 approximately 50% of the debt instruments in the hands of the public were Government issues. By 1943 about 54% of the obligations were Federal securities and almost 60% of the debt instruments owned were public issues. Gradually, therefore, public security issues have come to dominate the market for debt instruments. The details respecting these trends are shown in Table VI.

Some of this recent dominance is due to the fact that, during World War II, the Federal Government took over the financing and construction, as well as the operation of many war plants. In former years capital had been supplied for these undertakings through private investments and bank loans. During the present war they were covered by extensions of the public credit, a fact which helped somewhat (though not noticeably) to cut down the cost of war. Another force operating to increase the relative importance of the public and Federal debt has been the fact that since 1929 or 1930 other types of debt have tended to decline. The collapse of the real estate market in the late 1920's and the ensuing agricultural depression tended to bring about a decline in the outstanding amount of farm and real estate mortgages.[1] During the war, as a means of easing pressure on the markets for goods, individuals were urged to pay their debts, while the creditors, in turn, were solicited for subscriptions to war bonds. The improved income status of the farmer also led to the reduction of farm mortgages. From 1940 to 1944 farm mortgages declined almost $1,000,000,000.[2] Urban real estate mortgages declined during the 1930 depression due to foreclosures and price changes and the declines would have been more severe except for the refinancing of home mortgages over the country by the Home Owner's Loan Corporation.[3] Recently improvements in urban incomes and the demands for housing by war plant workers have tended to increase the volume of urban mortgages for the purchase of dwellings. The greater incomes of railways have likewise enabled these companies to reduce their long-term debts. Finally, the decreases in instalment debts, in open accounts and short-term private obligations, reflect both shortages in durable goods and controls over consumer credits adopted in the interest of easing inflationary pressures. Meanwhile, public debts have continued to increase both in magnitude and relative importance.

The decrease in private debts augurs both for good and ill for the future. Individuals, having paid off or having substantially reduced their debts, will be in a position to contract new obligations when desired goods again are available on the market, or when materials are obtainable for the construction of new homes, or when they desire to acquire other real estate. New debts added to present savings may help maintain the level of post-war employment. Likewise, new debts may add fuel to post-war inflationary tendencies, depending upon conditions prevalent at the time. The personal advantage of being out of debt can not be questioned. The fact that potentialities exist for inflation must be balanced against the advantage of a backlog to help provide future employment via an increased demand for goods. In any case, during the post-war period we must protect the nation from losses due to speculation and inflation. Both will tend to retard and shorten the duration of the real gains from the return to a civilian peacetime economy.

Low Rates on Government Borrowings

The Government, as the dominant borrower in the market, has tended to secure for itself many of the gains of a preferred customer. It has naturally wanted to borrow at the lowest possible rates, but the easy-money policy sponsored at the outset of the depression was more to stimulate the revival of private business and increased expenditures for capital outlays than to lower rates on Government loans. The benefits of reduced interest extended to many borrowers, but every debtor was not benefited. Many rates, such as those on consumer credit and other customer loans at banks, did not immediately decline. Nor were interest rates on many of the longer-term loans voluntarily reduced prior to maturity, even though market rates had declined significantly. It was soon realized that interest rates were among the sticky prices which resisted depression declines. Moreover, the business revival traceable to interest reduction per se disappointed most of the advocates of that trade-revival theory. Declining interest rates were, however, a boon to United States taxpayers. In 1920, the interest-bearing debt was about $24,000,000,000 while interest cost $1,020,000,000; in 1940, the interest on the public debt required an expenditure of $1,040,000,000 per annum but the principal sum of the interest-bearing debt was $42,376,000,000.[4] The average computed rate of interest declined from 4.225% in 1920 to 2.583% in 1940.[5] At the end of March, 1945, the computed annual rate of interest on United States securities, direct and guaranteed, stood at 1.925%.[6] During the same period other long-term interest rates have tended to decline.[7] No small

All footnotes at end of article.

TABLE VI

***Outstanding Net Public and Private Debt, Year End, 1916-43**

Amounts in billions of dollars

		Public			†Private	Long-Term				
Year	Public and Private, Total	Total	Federal Government and Federal Agency	‡State and Local Government	Total	Total	Corporate	Farm Mortgage	§Urban Real Estate Mortgage	Short-Term
1916	$74.7	$5.8	$1.2	$4.6	$68.9	$43.4	$29.1	$5.8	$8.5	$25.5
1917	86.1	12.2	7.3	4.9	73.9	45.5	29.6	6.5	9.4	28.4
1918	104.3	26.1	20.9	5.2	78.2	47.0	30.2	7.1	9.7	31.2
1919	117.5	31.0	25.6	5.4	86.5	49.7	31.0	8.4	10.3	36.8
1920	124.3	29.9	23.8	6.1	94.4	54.8	32.6	10.2	12.0	39.6
1921	124.8	29.8	23.0	6.8	95.0	57.5	33.8	10.7	13.0	37.5
1922	128.5	30.6	22.7	8.0	97.9	59.4	34.3	10.8	14.3	38.5
1923	134.3	30.2	21.7	8.5	104.1	63.4	36.2	10.7	16.5	40.7
1924	140.1	30.1	20.8	9.4	110.0	67.1	38.4	9.9	18.8	42.9
1925	148.4	30.4	20.0	10.4	118.0	70.8	39.6	9.7	21.5	47.2
1926	154.2	29.9	18.8	11.1	124.3	75.6	41.7	9.7	24.2	48.7
1927	161.7	29.7	17.7	12.0	132.0	81.2	44.3	9.8	27.1	50.8
1928	169.5	29.7	16.9	12.8	139.8	85.8	46.0	9.8	30.0	54.0
1929	173.4	29.4	15.7	13.7	144.0	88.5	47.3	9.6	31.6	55.5
1930	174.0	30.1	15.4	14.7	143.9	93.1	51.0	9.4	32.6	50.8
1931	166.7	33.0	17.1	15.9	133.7	91.2	50.2	9.1	31.9	42.5
1932	157.4	35.5	18.7	16.8	121.9	87.4	48.9	8.5	30.0	34.5
1933	151.3	37.8	21.0	16.8	113.4	82.5	47.5	7.7	27.4	30.9
1934	151.0	39.0	23.1	15.9	112.0	79.0	44.7	7.6	26.7	33.0
1935	152.5	41.9	26.0	15.9	110.6	76.8	43.5	7.4	25.9	33.8
1936	156.0	45.5	29.5	16.0	110.5	74.6	41.9	7.2	25.5	36.0
1937	159.5	47.1	31.3	15.8	112.4	75.9	43.5	7.0	25.4	36.4
1938	158.0	48.3	32.6	15.7	109.7	77.2	44.8	6.8	25.6	32.5
1939	161.4	50.8	34.8	16.0	110.7	76.8	44.2	6.6	26.1	33.8
1940	166.5	52.9	36.7	16.2	113.5	77.3	44.0	6.5	26.8	36.2
1941	183.5	64.0	47.6	16.3	119.5	78.0	43.7	6.5	27.8	41.5
1942	223.3	109.2	93.4	15.8	114.1	77.7	43.3	6.1	28.3	36.4
1943	273.5	161.8	147.0	14.8	111.7	75.9	42.6	5.6	27.6	35.8

*Components will not necessarily add to totals because of rounding. †The short-term and mortgage debts of noncorporate borrowers represent total and not net debt. ‡Figures are for June 30 of each year. §Data are for noncorporate borrowers only.

Source: Slater, loc. cit., p. 16.

TABLE VI (Continued)

***Outstanding Net Public and Private Debt, Year End 1916-43**

		Public			†Private	Long-Term				
Year	Public and Private, Total	Total	Federal Government and Federal Agency	‡State and Local Government	Total	Total	Corporate	Farm Mortgage	§Urban Real Estate Mortgage	Short-Term
	Percentages of Total Net Debt									
1916	100.0%	7.8%	1.6%	6.2%	92.2%	58.1%	39.0%	7.8%	11.3%	34.1%
1917	100.0	14.2	8.5	5.7	85.8	52.9	34.4	7.6	10.9	33.1
1918	100.0	25.1	20.1	5.0	74.9	45.1	28.9	6.9	9.3	29.9
1919	100.0	26.4	21.8	4.6	73.6	42.3	26.4	7.2	8.8	31.4
1920	100.0	24.1	19.2	4.9	75.9	44.1	26.2	8.2	9.6	31.9
1921	100.0	23.9	18.4	5.5	76.1	46.1	27.1	8.6	10.4	30.0
1922	100.0	23.8	17.7	6.2	76.2	46.2	26.7	8.4	11.1	30.0
1923	100.0	22.5	16.2	6.3	77.5	47.2	27.0	7.9	12.3	30.3
1924	100.0	21.5	14.8	6.7	78.5	47.9	27.4	7.1	13.4	30.6
1925	100.0	20.5	13.5	7.0	79.5	47.7	26.7	6.5	14.5	31.8
1926	100.0	19.4	12.2	7.2	80.6	49.0	27.0	6.3	15.7	31.6
1927	100.0	18.4	10.9	7.4	81.6	50.2	27.4	6.1	16.7	31.4
1928	100.0	17.5	10.0	7.5	82.5	50.7	27.1	5.8	17.7	31.8
1929	100.0	17.0	9.1	7.9	83.0	51.0	27.3	5.5	18.2	32.0
1930	100.0	17.3	8.8	8.5	82.7	53.5	29.3	5.4	18.8	29.2
1931	100.0	19.8	10.3	9.5	80.2	54.7	30.1	5.5	19.1	25.5
1932	100.0	22.6	11.9	10.7	77.4	55.5	31.1	5.4	19.0	21.9
1933	100.0	25.0	13.9	11.1	75.0	54.6	31.4	5.1	18.1	20.4
1934	100.0	25.8	15.3	10.5	74.2	52.3	29.6	5.0	17.7	21.9
1935	100.0	27.5	17.0	10.4	72.5	50.4	28.5	4.9	17.0	22.2
1936	100.0	29.2	18.9	10.3	70.8	47.8	26.9	4.6	16.3	23.0
1937	100.0	29.5	19.6	9.9	70.5	47.6	27.3	4.4	15.9	22.8
1938	100.0	30.6	20.6	9.9	69.4	48.8	28.3	4.3	16.2	20.6
1939	100.0	31.5	21.6	9.9	68.5	47.6	27.4	4.1	16.2	20.9
1940	100.0	31.8	22.1	9.7	68.2	46.5	26.4	3.9	16.1	21.7
1941	100.0	34.9	26.0	8.9	65.1	42.5	23.8	3.5	15.1	22.6
1942	100.0	49.1	42.0	7.1	50.9	34.6	19.1	2.7	12.7	16.4
1943	100.0	59.2	53.8	5.4	40.8	27.6	15.5	2.1	10.1	13.1

*Components will not necessarily add to totals because of rounding. †The short-term and mortgage debts of noncorporate borrowers represent total and not net debt. ‡Figures are for June 30 of each year. §Data are for noncorporate borrowers only.

Source: Slater, loc. cit., p. 16.

part of the interest savings for carrying the public debt have come, however, from the increased use of short-term paper.

Wartime controls of materials essential to the production of munitions and other war goods have also tended to limit the need for private capital. Allocations, priorities, consumer-credit controls, higher taxes, payroll deductions for bond purchases, and other measures have tended to limit the demand for, as well as the availability of, civilian goods. Although private capital was not rationed, the need for it was limited, and as war-production requirements were extensively supplied by Government, the demand as well as the supply of private-debt financing was effectively reduced. These policies, as well as the growth in the public debt, have made the investment-security market predominantly a market for "governments." So long, too, as the nation is interested in minimizing the cost of carrying its debt, pressures to keep interest rates low can be expected. Likewise, the substantial increases in savings during recent years will contribute to this end.

Debt Increases and the Supply of Capital

Suppose the Federal debt continues to grow during the post-war years—how will that affect the supply of capital available to other borrowers?

The growth in the national debt has been accompanied by the concentration of ownership in financial institutions, primarily banks and insurance companies. This trend has already been described.[8] With the banks and insurance companies holding over 61% of the outstanding Government securities, will these institutions be able to supply the needs of future borrowers? In times past, especially during depressions, banks were criticized for their perversity. When society needed a greater volume of credit, banks tended to restrict loans and to increase liquidity. During the late depression the volume of bank loans decreased between 1930 and 1936; meanwhile bank investments in United States securities rose to approximately the same level as loans had been, as is shown in Chart I. This was the period of reflationary spending and of loans and advances by government to business. Thus the banks financed the Government, while the Government made loans to business.

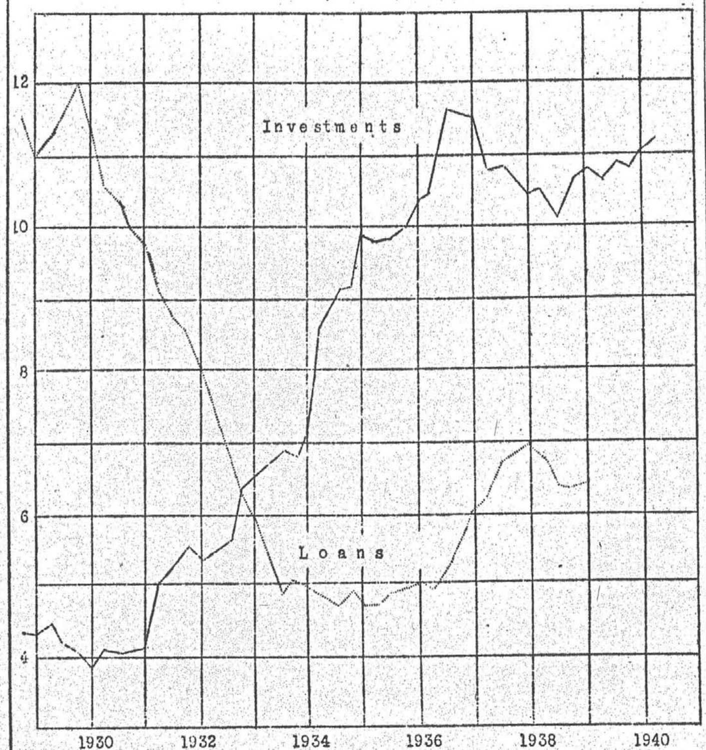
If, as a result of the war and carry-overs from the preceding depression, banks are filled with government securities, many people wonder whether banks can be expected to discharge their risk-taking functions in the post-war years, or whether this important task must be assumed by government agencies. It should be remembered that some of these agencies were created, not because private credit was not available, but because the interest rates charged were too high or had not come down sufficiently during the depression. The tradition of a 6% interest rate in the face of lower rates in the market helped to bring on "Government competition," with generally salutary results so far as debtors were concerned. If credit is freely available on reasonable terms, Government-sponsored loans may not be needed in the post-war period, but if Government agencies are not equipped to make loans there are many who fear that interest charges may not continue to be low. The threat of Government competition they regard as insurance for the continuance of easy-money rates. Others are not concerned about the level of interest rates so long as the rates are competitively determined in the market. What they regard as essential is that capital should be available at market rates to those economically able to employ it. The bankers, on their part, have proposed to see that credit is abundant by the creation of credit pools along with educational efforts directed at their own profession. The Board of Governors of the Federal Reserve System has proposed an arrangement for guaranteed loans which is now before Congress.[9] The Smaller War Plants Corporation has asked for enlarged powers and more capital to extend its loan activities. Other Government agencies are also in position to supply many credit needs. Individual bankers likewise indicate a willingness and the ability to take care of commercial risks after the war.

CHART I

Loans and Investments of Member Banks, 1929-1940

(In Billions of Dollars)

Source: Federal Reserve Chart Book, June 14, 1940, page 13.



The situation now existing is more favorable for credit expansion than that existing after the last war, or even during the late depression. The banks are in a far more liquid position now than in those periods. Their assets are in a far stronger position than ever before. The liquidation of slow and doubtful loans left in the wake of the last boom is a matter of common knowledge, as is the weeding out of weak banks.[10] Treasury policies in financing this war have strengthened the position of the nation's banks. Commercial banks have been urged to buy short-term issues, and the long-term securities eligible for purchase have been limited to maturities of not to exceed 10 years.[11] Even as a result of the expansion of war-time credits the liquid position of commercial banks has been improved. In the post-war years, they should be able to meet, without difficulty, the credit requirements of both the Government and private borrowers.

Moreover, as time moves on, substantial portions of their securities will mature, thus improving, technically at least, their credit positions and their ability to accommodate borrowers—even old ones. As of February 28, 1945, commercial banks held $25,702,000,000 of United States securities, due or callable within one year, out of a total of $57,836,000,000 of such securities outstanding.[12] Almost 26% of the Government issues held by such banks were in Treasury bills and certificates of indebtedness, all due within one year; 21% were in notes, the longest of which were due in 5 years; 42% of their bond holdings matured within 10 years. Insurance companies held $1,601,000,000 of United States securities due within five years. Non-bank borrowers, exclusive of Government agencies and the Federal Reserve System, held over $10,670,000,000 of Federal issues due within one year and $17,400,000,000 due within five years. The holdings of these institutions are shown in Table VII. These maturities will enable individual institutions so to readjust portfolios and loans as to enable them to meet needs of individual borrowers, but for the financial system as a whole only the repayment of maturing issues with the proceeds of taxation would make possible a corresponding increase in loans if they were otherwise fully invested, had no excess reserves, did not secure advances from the Reserve banks or sell other securities in order to secure cash. If the Government refunded its maturing issues, new lenders would have to provide the cash for those who wanted it. For some years to come, refunding seems to be a more probable policy than repayment, and if the Federal Government should continue to expand the debt, the maturity dates will only signal the renewal of obligations for the banking and financial system **as a whole.**

This does not mean that only the future financial needs of the Government can be met. The reserve requirements of Federal Reserve banks have just been reduced by Congressional action.[13] These added reserves may be utilized in the continued financing of the war, perhaps through increased use of short-term paper. Should this be done the post-war credit needs of private borrowers can be met by member banks if in no other way, then from discounts and advances from the Federal Reserve Banks. The advances, secured by Government securities or other eligible paper, can be obtained at rates of from one-half to 1½%, depending upon the maturity and the type of security offered.[14] In earlier times, when "discounting at the Fed" was a customary banking practice, these rates were manipulated by the Reserve System as an instrument of credit control. Their effectiveness waned during the depression and even now many bankers are loath to show an indebtedness to the central bank on their statements. The result is that most banks have bought and sold Treasury bills or other securities (now mainly certificates of indebtedness) to adjust their reserve positions, or to meet needs of borrowers. This course involves loss of interest on the securities sold; whereas, if advances are made by the Reserve banks, interest is merely reduced by the rates charged.[15] Recently, and particularly as the banks have invested larger and larger sums in Government securities, the practice of "discounting with the Fed" has begun to increase. In the four weeks after April 25, 1945, such borrowings from the Reserve banks increased $216,000,000 to establish a new 12-year record. During the last week in May, member-bank borrowings were enlarged $162,000,000 to an aggregate of $886,000,000—another record. Table VIII shows the upward trend in advances and discounts

TABLE VIII

Discounts and Advances for Member and Non-Member Banks by All Federal Reserve Banks: 1943-45

(In Thousands of Dollars)

End of Month:	1943	1944	1945
January	$13,858	$21,717	$175,850
February	15,557	33,700	320,776
March	12,721	62,715	244,754
April	13,163	118,338	489,050
May	30,718	236,627	†885,534
June	4,990	12,680	
July	15,860	37,079	
August	58,789	95,349	
September	11,810	49,355	
October	25,545	345,336	
November	51,500	473,213	
December	5,255	79,825	
Aver. outstg. at end of month	$21,647	$130,495	*$419,193

Compiled from the "Federal Reserve Bulletin."

*Average for 5 months.

†May 30, 1945. Secured from Federal Reserve Bank of Chicago.

(Continued on page 754)

TABLE VII

Ownership of U. S. Government Securities by Commercial Banks, Insurance Companies and Other Non-Bank Holders by Types of Security and Maturity: Feb. 28, 1945

(Amounts in Millions of Dollars)

Type of Security—	Total Amount	Total %	*Commercial Banks Amount	*Commercial Banks %	Mutual Saving Banks Amount	Mutual Saving Banks %	Insurance Companies Amount	Insurance Companies %	†Other Non-Bank Owners Amount	†Other Non-Bank Owners %
Total outstanding securities, Issued or guaranteed	$163,166	100.0	$72,543	100.0	$8,476	100.0	$19,239	100.0	$38,168	100.0
Treasury bills	16,399	10.0	3,387	4.7	7	----	----	----	1,164	3.1
Certificates of indebtedness	30,396	18.6	15,259	21.0	203	2.4	429	2.2	9,509	24.9
Treasury notes	23,039	14.1	15,560	21.4	330	3.9	662	3.4	4,866	12.8
Guaranteed securities	786	.5	586	.8	4	----	16	.1	175	.5
Treasury bonds—total	92,349	56.6	37,737	52.0	7,931	93.6	18,182	94.3	22,311	58.5
Maturity within 5 years	7,824	4.8	4,770	6.6	172	2.0	510	2.6	1,856	4.9
Maturity in 5-10 years	44,645	27.4	25,507	35.2	3,743	44.2	4,457	23.2	9,569	25.1
Maturity in 10-20 years	14,445	8.9	5,466	7.5	1,829	21.6	2,607	13.5	3,538	9.3
Maturity after 20 years	25,433	15.6	1,991	2.7	2,187	25.8	10,600	55.0	7,349	19.3

Data taken from "Federal Reserve Bulletin," May, 1945, p. 462.

Due to rounding of original figures percentages will not necessarily add up to totals.

*Includes stock savings banks. †Does not include securities owned by U. S. Government agencies or trust funds, or Federal Reserve banks. These must be added to four groups shown above to equal amounts shown in "Total" column.

All footnotes at end of article.

Impact of the National Debt Upon Banks and the Capital Market

(Continued from page 753)

by the Reserve banks since January, 1943. With the more general use of this policy there can be no question as to the ability of the banking system to meet post-war credit needs. Indeed, many economists fear the possibility of inflation from over-expanded post-war credits. The availability of advances to member banks by the Reserve banks is one of the contributing dangers in that situation. The volume of possible advances grows as investments in Government obligations increase. This factor in any post-war inflation can be controlled by the Reserve System. The possibility and control of inflation after the war is, however, reserved for discussion on another occasion.

Will Credit Be Supplied?

The adequacy of the credit resources in the banking system does not necessarily mean that loans will be made. The concentration of the practically riskless Government securities in the banks may cause these institutions **in the aggregate** to eschew the assumption of other risks. During the war the V, VT and T loans guaranteed by the Army and Navy to implement war production have also caused banks to clamor for high percentage guarantees, again minimizing the risk-taking function of commercial banks. The conservatism in extending loans, carried over from the depression, has not been fully outgrown. These forces have, perhaps, changed the psychology or the character of commercial banking, making it less of a risk-taking enterprise than it was a half century ago.

Many bankers, of course, are unaware of any such changes, and

TABLE IX

Investments of All Member Banks in U. S. Government Obligations and Their Relation to Total Loans and Investments

(Amounts in Millions of Dollars)

Call Date Nearest June 30	Total Loans & Investm'ts	U. S. Govt. Obli-gations	Ratio of U. S. Obligations to Total Loans & Investm'ts
*1914	$8,498	$760	8.9%
1915	8,764	749	8.5
1916	10,315	703	6.8
1917	12,453	1,065	8.5
1918	18,507	2,465	13.3
1919	22,242	3,803	17.1
1920	25,559	2,811	11.0
1921	24,121	2,561	10.6
1922	24,182	3,205	13.2
1923	26,507	3,835	14.5
1924	27,167	3,575	13.2
1925	29,518	3,780	12.8
1926	31,184	3,745	12.0
1927	32,756	3,796	11.6
1928	35,061	4,225	12.0
1929	35,711	4,155	11.6
1930	35,656	4,061	11.4
1931	33,923	5,343	15.7
1932	28,001	5,628	20.1
1933	24,786	6,887	27.8
1934	27,175	9,413	34.6
1935	28,785	11,430	39.7
1936	32,259	13,672	42.4
1937	32,739	12,689	38.8
1938	30,721	12,343	40.2
1939	32,603	13,777	42.3
1940	34,451	14,722	42.7
1941	40,659	18,078	44.5
1942	46,800	24,098	51.5
1943	67,155	46,980	70.0
1944	83,587	60,339	72.2
Dec. 1944	91,569	67,685	73.9

*December 31.

Data taken from **Banking and Monetary Statistics**, Board of Governors of the Federal Reserve System, Washington, D. C., 1943, pp. 72-74; **Federal Reserve Bulletin**, May, 1945, p. 448.

in individual cases are giving attention to prospective credit needs, as well as to new opportunities to extend banking services. There are some signs of a more liberal attitude among banks in granting credit and lip service, at least, to the proposition that credit will be extended to all enterprises, regardless of size, that are deserving of credit. Whether these counsels will be carried out remains to be seen.

The tremendous increase in the amount of Government paper among the earning assets of banks may, however, cause some institutions to prefer investments in Government securities to loans involving normal business risks. In 1944, over 72% of the total loans and investments of member banks were in United States obligations. The upward trend began during World War I and was accelerated by the deficits of the depression, as is shown in Table IX. The United States securities owned by member banks on December 31, 1944—about $68,000,000,000—was more than all member-bank loans and investments on June 30, 1943. Present holdings are twice as great as total loans and investments in 1929.

The banks have reached a position where over half of their earnings are now coming from interest and dividends on securities, composed predominantly of Federal obligations. In 1944, member-bank earnings were $1,874,-000,000 while interest and dividends on securities were $960,-000,000—almost twice as much as had ever been received from this source in spite of declining rates of interest. The trend since 1919 is shown in Table X.[16] Next year,

TABLE X

Member Bank Earnings: Total and Amount From Interest and Dividends on Securities

(Amounts in Millions of Dollars)

Year	Bank Earn-ings Total	Interest & Divi-dends on Se-curities	Ratio of Interest & Div. on Securs. to Total Bank Earnings	Ratio of Interest & Divi-dends on Securs. to Securities
		†	%	%
1919	$1,436			
1920	1,804			
1921	1,744			
1922	1,652			
1923	1,720			
1924	1,787			
1925	1,919			
1926	2,028			
1927	2,014	$458	22.8	4.7
1928	2,194	498	22.7	4.7
1929	2,399	473	19.7	4.7
1930	2,158	472	21.9	4.6
1931	1,841	480	26.1	4.1
1932	1,554	458	29.5	3.9
1933	1,237	426	34.5	3.5
1934	1,244	474	38.1	3.3
1935	1,207	467	38.7	2.8
1936	1,271	487	38.3	2.6
1937	1,321	481	36.4	2.6
1938	1,274	448	35.2	2.5
1939	1,296	444	34.3	2.3
1940	1,323	431	32.6	2.1
1941	1,417	445	31.4	1.9
1942	1,487	540	36.3	1.8
1943	1,650	766	46.4	1.4
1944	1,874	960	51.2	1.5
1945				

Data taken from **Banking and Monetary Statistics**, 1943, pp. 262-65; **Federal Reserve Bulletin**, May, 1945, p. 431.

†Not available separately prior to 1927.

and as the amount of Federal debt increases, bringing about a growth in bank ownership of such securities, the contribution of Federal interest payments to bank earnings will increase. In 1944, interest and dividends on securities covered over 85% of the cost of bank operations for member banks as a group.[17] It looks as though it may not be long until interest and dividends more than cover all expenses of bank operations **for banks as a whole.** By way of caution it should be added, however, that what is true for all banks does not necessarily hold for single institutions.

Put in another way, this situation means that the taxpayers of the United States paid to member banks approximately $884,540,000 in interest for the creation of credit primarily to finance the war.[18] Member banks thus received 29.5% of the interest payments on the national debt.[19] If this ratio is applied to interest payments made during the fiscal year 1945, which ends on June 30, member banks will have received during that 12-month period approximately $1,106,000,000.[20] This was about equal to total interest payments during the fiscal year ending June 30, 1941.[21] This is, indeed, a colossal sum to pay the banks for manufacturing credit for the use of the United States Government under powers granted by that government! Departures from current borrowing folkways, of course, create other problems, and this is not the place to discuss them. Nevertheless, the growth in the size of the public debt, the concentration of debt ownership in banks and financial institutions, and the overshadowing importance of interest payments in the earnings of these institutions all add momentum to movements seeking further to reduce interest costs on the relatively riskless national debt.

If, in the post-war period, banks prefer to collect interest on Government obligations rather than to assume their normal functions of undertaking commercial risks, they can be assured that others will sponsor legislation and management techniques to reduce interest on bank loans to the Government, or that they will champion the establishment of new credit institutions, Government-owned or otherwise, to perform the neglected risk-taking functions needed by a dynamic industrial society. It is certain, too, that the banks must continue to finance the Government by holding its debt instruments far into the future. Payments for this service will be forthcoming but probably at rates which recognize the relatively riskless character of the advances and the nature of their creation. Likewise, the financing of Government must not be regarded as competitive with private financing, nor allowed to interfere with it. This may bring about a differentiation in securities owned by banks as compared with non-bank owners, as well as the creation of a greater differential in rates paid to bank and non-bank holders. There seems to be little reason why banks should be paid the same or equivalent rates for manufacturing credit as are paid non-bank borrowers for surrendering current income or accumulated savings. Whether such changes, if they should transpire, would affect interest rates in general is difficult to predict. The effect would depend on many variables such as the form of the debt, its negotiability, convertibility, probable redemption, alternative demands for capital, price levels, and other factors. In any case, interest rates in the predictable future will probably be low, and adequate capital will be available for post-war uses, even without drastic change in the nature of present banking arrangements. Changes in future banking techniques, moreover, are more likely to affect the handling of the public debt than private credit. But abundance of loanable funds to both public and private enterprise seems assured. Here may be the crux of post-war inflation.

Debt Redemption

Finally, the problems and difficulties of redemption are aggravated by the size of the outstanding debt. The larger it is the heavier are the amortization costs and the taxes necessary to cover service payments, the possibility of monetizing the debt not being considered. As the costs of amortization increase, so do the arguments and movements to postpone redemption, in order that enhanced production or larger incomes or depreciated currency may be utilized to minimize the weight of payments. As amortization payments tend to be scaled down or as projected periods for sinking-fund operations are extended, where such retirement methods are adopted, the probability of substantial reduction, or even of net reductions over long periods of time, becomes more remote. As debts increase in size, taxpayers tend to prefer reductions in present taxes to repayment of debt, especially since individuals in need of cash can either present non-marketable issues for redemption or sell negotiable series on the open market. Thus, the larger debts become, the more remote the probabilities of repayment. These difficulties are augmented, too, by fiscal policies which seek to utilize tax reduction as a stimulus to full employment.

Frequently, to satisfy the demand for debt redemption, sinking funds operative over long periods of, say, 50 or 100 years, are proposed. The payments thus made are mere token payments and the debt reduction accomplished is purely nominal. In the history of nations such long-term calculations have usually been upset. Wars have occurred, depressions have intervened, emergencies have arisen or new expenditure programs have been adopted with the result that budgetary surpluses, without which debt reduction can not be accomplished, have been replaced by deficits. The outcome has been that debts have increased rather than decreased, and sinking-fund appropriations have only increased aggregate borrowings during such times. The "fair weather policy" of small sinking funds, or long periods for amortization, will not retire significant portions of large debts. If the United States is to retire a substantial part of its post-war debt, a more determined policy will be required.

When it is realized that high taxes required for debt redemption are being imposed in order to pay billions of dollars to banks and financial institutions, citizens can not be expected to approve, over the years, the continuance of such arrangements. It is true that payments of internal debts make the nation **as a whole** neither richer nor poorer, but taxes for debt redemption seldom bear the same relative relation to personal incomes as interest received. Consequently debt payments, and the taxes imposed therefor, may unequally affect the distribution of income and wealth within society. The effects on incentives to work, save and invest produced by taxes for debt repayment may not be offset by countervailing effects of debt payments themselves, and of public expenditures. Just what the probable effects will be requires more data relative both to the distribution of taxation and debt ownership **in re** income arrays and the effects of taxation, on the one hand, and of interest and principal repayments, on the other, than is now available. This analysis is complicated by institutional holdings of the debt but these same holdings seem to indicate greater participation by middle- and lower-income groups than in previous times. Debt payments, therefore, should not enhance inequalities in income and wealth to the extent previously true. Likewise, the relatively greater progression in Federal taxes has made for more equality in income distributions. How these trends have affected risk functions in society is not so clear. But as both the incidence of taxation and of debt payments are difficult to trace, political repercussions may arise from the realization of the amount of payments going to institutional owners, regardless of the extent to which such payments are eventually diffused.

From all points of view, therefore, it appears that the size of the debt and its ownership distribution presage increasing efforts, in the future, to minimize the costs of debt service and to control payments made merely for creating credit. These tendencies directed at the public debt need not affect either the supply of credit available to private borrowers or increase its cost. Private borrowers thus have little to fear from the largest national debt in history; their concern should be directed at the way the debt is managed.

All footnotes at end of article.

1. Cf. Slater, Alvin, "Wartime Debt Changes in the United States," **Survey of Current Business**, Vol. 24, No. 7, pp. 16-18 (July 1944).
2. United States Department of Agriculture, Bureau of Agricultural Economics, Release, July 1944.
3. Such financing amounted to about $3 billion. Slater, **loc. cit.**, p. 18.
4. **Annual Report of the Secretary of the Treasury**, 1944, pp. 529-30, 627.
5. **Ibid.**, p. 713.
6. **Bulletin of the Treasury Department**, May 1945, p. 27.
7. Cf. bond yields in **Federal Reserve Charts on Bank Credit, Money Rates and Business**, 1940, pp. 21, 24-25; **Bulletin of the Treasury Department**, May 1945, p. 60.
8. See also Tables II, III and V appearing in Part I Section, published in the "Chronicle" of Aug. 9.
9. Senate Bill 511, 79th Congress, First Session. Introduced Feb. 12, 1945.
10. On Dec. 31, 1944 there were 6,814 member banks in the Federal Reserve System as compared with 8,522 on the same date in 1929.
11. Cf. **Annual Report of the Secretary of the Treasury**, 1943, pp. 5-6.
12. **Federal Reserve Bulletin**, May 1945, p. 462n.
13. Cf. Senate Bill 510, 79th Congress, First Session. Introduced Feb. 12, 1945. Measure signed by President Truman, June 12, 1945.
14. See **Federal Reserve Bulletin**, May 1945, p. 438. Higher rates are available to non-member banks and others secured by U. S. obligations.
15. This statement holds true so long as rates charged on advances are less than the rates paid on the obligations offered to secure advances. Cf. rates now in effect. **Federal Reserve Bulletin**, May 1945, p. 438.
16. Unfortunately the earnings from United States securities are not separately available.
17. Cf. **Federal Reserve Bulletin**, May 1945, pp. 429-31.
18. This figure was obtained by apportioning to interest on United States securities 92.16% of the interest and dividends on securities of member banks. Total securities held were $65,455,000,000; United States government securities were $60,324,-000,000, or 92.16% of total. Earnings from interest and dividends on securities amounted to $959,787,000; 92.16% thereof was $884,539,699. Cf. **Federal Reserve Bulletin**, May 1945, p. 491. Inasmuch as interest rates on government obligations are generally lower than rates paid on other securities this method of computation may slightly exaggerate United States interest payments to banks. Exact payments by class of securities are not available.
19. Total interest payments on the public debt during calendar year 1944 were approximately $3,001,806,000. **Daily Treasury Statements.**
20. Estimated interest payments during fiscal year 1945 were $3,750,000,000. Cf. **Bulletin of the Treasury Department**, May 1945, p. 2.
21. Interest payments during that year were $1,110,692,812. **Annual Report of the Secretary of the Treasury**, 1944, p. 531.

May Cotton Consumption

The Census Bureau at Washington on June 14 issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles in the month of May.

In the month of May, 1945, cotton consumed amounted to 830,568 bales of lint and 128,943 bales of linters, as compared with 769,678 bales of lint and 125,707 bales of linters in April, and 832,812 bales of lint and 122,863 bales of linters in May, 1944.

In the eight months ending May 31 cotton consumption was 8,116,679 bales of lint and 1,248,668 bales of linters, which compares with 8,414,145 bales of lint and 1,109,604 bales of linters in the corresponding period a year ago.

There were 2,141,193 bales of lint and 322,560 bales of linters on hand in consuming establishments on May 31, 1945, which compares with 2,187,916 bales of lint and 322,021 bales of linters on April 30, 1945, and 2,111,207 biles of lint and 402,279 bales of linters on May 31, 1944.

On hand in public storage and at compresses on May 31, 1945, there were 10,132,723 bales of lint and 36,644 bales of linters, which compares with 11,025,514 bales of lint and 39,314 bales of linters on April 30, and 9,574,489 bales of lint and 87,622 bales of linters on May 31, 1944.

There were 22,167,678 cotton spindles active during May, which compares with 22,158,674 cotton spindles active during April, 1945, and with 22,384,986 active cotton spindles during May, 1944.

"How Can We Avoid Another Depression?"

(Continued from page 730)

that world have periods of economic depression? That is the question which every American, in uniform or civilian clothes, has been asking.

Some experts predict a period of tremendous prosperity in the immediate post-war future, to last until the pent-up buying energy of people who have been starved for civilian luxuries is finally exhausted—and then the boom will burst and we will again hit the economic bottom of the early 1930's. They say we have always had depressions and booms; therefore, we will continue having them in our society.

Others say we don't have to have depressions. If government plans wisely with industry, they claim we should be able to maintain our economy on an even keel.

Does this necessarily mean a planned economy? That phrase has not been accepted too kindly by American business. To many, it smacks of regimentation, of a form of government alien to our own.

This evening we pose the question, "What Can We Do to Combat Depressions?" With Europe going socialist, or even a little further to the left, we hear talk on all sides of America being the last remaining haven of capitalism. On our ability to answer correctly the question of this evening depends the maintenance of our present economic system.

Just how can we combat depressions? Can it be done by lowering taxes and giving industry a free hand? Can it be done by Government going into business as a stabilizer? Can it be done by huge Government expenditures? To answer these and other questions we have brought to the American Forum this evening four of the nation's distinguished economists.

First, the Research Director of the Machinery and Allied Products Institute, a former economist with the Federal Reserve Board, a Brookings graduate and author of the recent book, "The Bogey of Economic Maturity," Mr. George Terborgh.

Mr. Terborgh: I believe we can say with assurance that another major depression can be and will be avoided. We shall deceive ourselves, however, if we imagine that it is possible at present, within the framework of a free society, to eliminate economic fluctuations entirely or to achieve the goal of continuous full employment. The art of economic stabilization is in its infancy. The Federal Government, on which the major responsibility must fall, has as yet neither the knowledge, the experience, nor the organizational setup to guarantee full success. The art will however be mastered in time.

Chairman Granik: Thank you, Mr. Terborgh.

Next, the Deputy Director of the Office of War Mobilization and Reconversion, former Chairman of the Planning Committee of the War Production Board, Robert R. Nathan.

Mr. Nathan: I believe that not only can we successfully combat future depressions; we must if our form of government and our economic system is to prevail. The people of this country will not stand for booms and busts in the future. They have seen how we have mobilized for war and they will demand that we mobilize just as effectively for peace, for full employment, and for economic security. It is my firm conviction that we can accomplish these goals through government and industry cooperation.

Chairman Granik: Thank you, Mr. Nathan.

Next the Director of the Economic Research Department, United States Chamber of Commerce. A Professor of Economics on leave from the University of Minnesota, he is in addition to his other duties Editor of the American Economic Security magazine, Dr. Emerson P. Schmidt.

Dr. Schmidt: There appear to be only two ways of avoiding depression: one, a completely regimented society in which there is little or no consumer or investor free decision or choice; two, a society in which the costs and prices are perfectly flexible and fluid. There is no unemployment in a prison or a concentration camp.

All over-all planned economies have been regimented societies. On the other hand, complete fluidity of prices and costs are highly improbable. For these reasons, while we can minimize depressions, we have no right to mislead the public by promising the end of all depressions.

Chairman Granik: Thank you, Dr. Schmidt.

And now, the first administrator of the OPA, an outstanding economist closely identified with many government reforms, and now the Chief Economist for the Research Institute of America, Leon Henderson:

Mr. Henderson: We mobilized all the resources of this nation to fight a war. It is inconceivable that we can't or won't mobilize just as effectively to wage war on unemployment. I do not for a moment believe that this nation has reached the limit of its growth. Neither do I believe that booms and depressions are inevitable. Mobilization for war didn't just happen; it took planning and fighting. When I think of the number of "practical" people who told us we were wrong, I wonder how we ever accomplished anything.

The answer to the question we discuss this evening lies in the success or failure of joint action by government and industry.

Chairman Granik: Thank you, gentlemen. There we have the issues and the sides are clearly drawn. To start our discussion, Mr. Henderson, if the atomic bomb ends the Japanese war next week, will we have a serious depression?

Mr. Henderson: I think we would, because I don't believe that this economy is prepared to absorb the 10 or 11 million men in the armed forces and the 10 to 20 million men and women who are directly or indirectly connected with the war effort.

Dr. Schmidt: It might be a deep depression but it would be rather short-lived, wouldn't you expect?

Mr. Henderson: I think the effect on the public would be just about the same. You never know when one of these things starts out what it is going to be.

Mr. Nathan: May we come back, Mr. Schmidt, to your first point there, where you question whether or not a depression can be avoided? I think that I would be inclined to agree with you at one point and that is during the transition period. We now have some seven or eight million people still engaged in munitions production in the United States. We still have some 12 million people in uniform. If the Jap War were to end within a few days as the question implies, there just isn't any question that those millions of men and women couldn't possibly be reabsorbed quickly into the civilian economy.

Dr. Schmidt: Don't you think these people are entitled to a vacation of three or four weeks or a couple of months?

Mr. Nathan: If you are willing to pay them during the period of vacation, that is right.

Mr. Henderson: Bob, how many people did we put to work in the best year of the war when there wasn't any question about price or profit or anything?

Mr. Nathan: During the best increase in the war—I take it you don't mean those put in uniform—the number of those put in private employment wasn't over four million. That was the peak increase.

Mr. Terborgh: I agree that a depression will be inevitable. I think, however, that it will be brief. We shall have, certainly, a very curious kind of depression, due to entirely different causes from the usual causes, and calling for entirely different remedies.

Dr. Schmidt: Thirty or forty million people are entitled to unemployment compensation—

Mr. Henterson [interposing]: Which are half rations. How would you like to live on what you can get out of unemployment compensation in most States, particularly in the South? Do you think there is any buying power for the members of your chamber in that?

Dr. Schmidt: We have 100 billion dollars of liquid assets also rattling around that can be put to use.

Mr. Nathan: I have two comments to make on that. In the first place, there are over 30 million people who are eligible for unemployment compensation, but according to the best technicians, approximately one-third of those who will be unemployed are expected to receive benefits. That is one side of the picture. The other side I think is very important. We have been talking loosely about this 100 billion dollars or more of savings, and the analyses that have been made indicate very clearly that those savings are not in the hands of the low income masses.

Dr. Schmidt: You mean they haven't bought War Bonds?

Mr. Nathan: They have bought some, but they have cashed in plenty, too.

Dr. Schmidt: They shouldn't have done that.

Mr. Nathan: That is a very easy thing to say; but when their income has increased moderately and the cost of living has increased at least proportionately, it isn't very easy.

Dr. Schmidt: Twenty-seven million people are suffering payroll reductions.

Mr. Nathan: A study recently made of the steel industry I think showed an average of $312 accumulated War Bonds per family—not per person, but per family.

Dr. Schmidt: Plus bank deposits, plus currency, plus unemployment compensation, so it is not entirely half-rations. It may be more.

Mr. Nathan: I am a little worried by what you say because if we are going to rely on coming out of the depression or recession, or whatever you want to call it in the transition period on the basis only of individual resources as we now have them, I am very fearful we may go from a temporary period of unemployment into a permanent period.

Mr. Terborgh: What is your recommendation, Bob?

Mr. Nathan: In addition to unemployment compensation which I hope Congress enacts when it comes back—and maybe it will be called back earlier—I think that also we should have a flexible wage policy, we should increase minimum wages, we should have our tax program adjustable in case the end of the war comes quickly, and, in addition, we should have a public works program ready of the kind that will not compete with private construction but can be put in quickly and be of a short term, flexible, valuable, efficient nature.

Participated In Forum Debate

Leon Henderson

Dr. E. P. Schmidt

George Terborgh

Mr. Terborgh: Any large-scale public works program would be competitive for materials with private building, would it not?

Mr. Nathan: I think there are types of public works, such as roads, levees, and things of that kind, that could be undertaken quickly and would not be competitive with private building. I agree that during the period of transition we are going to have shortages of materials and you can't build up your backlog of materials, and it would be unfortunate if public works went in and competed for those short materials.

Dr. Schmidt: You mentioned raising minimum wages. Would you really create purchasing power by marking up wage rates?

Mr. Henderson: I would certainly like to say that you would. I was chief economist for the NRA and I certainly saw what happened there, and I think what has happened to purchasing power with a gradual increase over a period of time in the wage level is a matter of record.

Dr. Schmidt: Then let's raise the Chinese wage rates.

Mr. Henderson: I would be in favor of raising the Chinese wage rates.

Dr. Schmidt: Just marking them up?

Mr. Henderson: Yes. I used to be an adviser to the Chinese Government.

Mr. Terborgh: You got an inventory boom as a result of the NRA, but you got price increases that were commensurate with wage increases.

Dr. Schmidt: And choked off recovery.

Mr. Henderson: We got price increases because all the old monopolistic tricks of industry that were prevalent in the 20's, and some more, were put into effect.

Mr. Terborgh: No, you got the increases in completely nonmonopolistic industries.

Mr. Henderson: I was there, and that was one of the things I was fighting for. The open price associations were formed outside of the trade associations.

Mr. Terborgh: I was writing you up at the time.

Mr. Henderson: Writing or riding?

Mr. Terborgh: Both.

Mr. Nathan: I would like to come back to the wage problem because Mr. Schmidt raises a very, very fundamental question. I assume the implication of your question, Schmidt, is that the desired objective is one of low wage rates.

Dr. Schmidt: No, no—adjusted wages.

Mr. Nathan: What do you mean by adjusted wages?

Dr. Schmidt: Wages that will absorb the total labor supply; rather than have eight or 10 million unemployed as we had in the late 30's; let's not keep freezing workers out of the labor markets.

Mr. Nathan: If we had cut wages in '30, '31 and '32, is it assumed we would not have had the depression?

Mr. Henderson: One industry, Mr. Terborgh, got down to five cents an hour. It's a shame we didn't have a great boom in lumber. The tobacco industry got down to 14 cents; the textile industry got down to 12 cents. It's a wonder we didn't have automatic recovery then.

Mr. Nathan: Mr. Chairman, I would like to come back to the question which wages lead to. It seems to me that we in the United States have demonstrated during the war our tremendous productive capacity, and also I think we can very readily demonstrate the fact that we do have tremendous unsatisfied needs among the American people, and we must look forward to a post-war period in which high consumption is the answer. If we don't have high consumption, if we don't have a high standard of living on the part of the people, all of these tremendous productive resources in the United States are not going to be utilized.

Mr. Terborgh: It doesn't follow necessarily, though, that high real consumption is a consequence of raising wage rates. We had a very substantial increase in wage rates, something like 50% in the late 30's, as you will remember, and we still never reached high consumption.

Mr. Nathan: No, that is right. we reached a higher consumption than we had before the wage increases were effected. It is obviously a question of the relationship of wages to prices and wages to profit.

Dr. Schmidt: That is what I meant by adjusted wages.

Mr. Nathan: I don't know exactly what you mean by adjusted wages, but I assume you mean wages adjusted downward to a point where the workers will be absorbed, but the question is, do you have any such thing as adjusted profits on the other side?

Dr. Schmidt: You do if you have competition.

Mr. Henderson: While you are on the question of competition, I want to get back to your statement because you posed the dichotomy between a completely regulated society and something of Adam Smith's laissez-faire.

Dr. Schmidt: I didn't mention laissez-faire.

Mr. Henderson: No, you didn't mention laissez-faire because I don't think you wanted to identify it, but that is what you were talking about.

Dr. Schmidt: Adam Smith was not for laissez-faire. His book was generally devoted to government policy.

Mr. Henderson: It was generally understood for laissez-faire.

Dr. Schmidt: If people misunderstood poor Adam, I can't help it.

Mr. Henderson: It becomes a matter of dispute.

Dr. Schmidt: His book was devoted to what government policy should be. That is forgotten.

Mr. Henderson: I understand you want to go back to the place

(Continued on page 756)

"How Can We Avoid Another Depression?"

(Continued from page 755)

where the market determines what price and wage and all cost shall be.

Dr. Schmidt: I think we have to restore the market to its traditional function to a greater degree than we have during the war.

Mr. Henderson: Do you want to start by abolishing monopolies?

Dr. Schmidt: I would certainly abolish all monopolies possible.

Mr. Nathan: Let me ask you a question, Schmidt, not to be personal, but have you ever publicly backed up any action in an anti-trust case?

Dr. Schmidt: Oh, yes.

Mr. Henderson: I would like to see it name by name and company by company.

Dr. Schmidt: Personally, I don't know as I have.

Mr. Nathan: I don't mean this from a personal point of view, but President Roosevelt once said that industry tends to talk about free enterprise and competition, and then every time you have a prosecution of an anti-trust case, it is always persecution; and in all this talk about competition, I am sure Leon and I would favor the maximum degree of competition, but the question is whether or not you can attain it and whether or not it is possible from the industrial side or any side, and if it is not, let's face the facts and see what adjustments may have to be made possible because we have an imperfect competitive picture.

Mr. Henderson: I want to get into that because I don't agree it is a choice between the two. We have had a mixed economy for quite a long time. I think we can still have one as long as we keep the democratic process and as long as the voters, the people, are able to make the big determination between what they want and what they don't want. If the government program is one of fortifying consumption by fiscal policy, I don't see any reason why we can't have the most vigorous of competition for the consumer's dollar.

Dr. Schmidt: The Germans had the kind of "amphibious" income you are talking about. About half of the national income was in control of the government when Hitler assumed power.

Mr. Henderson: I didn't suggest for one minute that half of the income go to the government nor that anything Hitlerian should be undertaken. There are a lot of things you can identify—

Dr. Schmidt [Interposing]: We are destined to have 25% of the national income filtered through government in the post-war period—state and local.

Mr. Nathan: You figure thirty-five million?

Dr. Schmidt: Something of that nature—control by TVA and various other things you might add on.

Mr. Nathan: I would like to ask Schmidt or Terborgh a question. George, what role do you see for government in this attempt to avoid or combat depressions?

Mr. Terborgh: I see a very major role. I have no illusions that this is a problem which can be solved by the internal actions of business as such.

Dr. Schmidt: They can do something.

Mr. Terborgh: There are many things that can be done on that front, but basically it is a problem that will have to be solved by the Federal Government.

Mr. Nathan: Schmidt, what can business do? I am interested in that because while I certainly have the greatest respect for the achievement of all industry during the war and for the tremendous progress which American history indicates, I seem to recall back in 1929, '30, '31, and '32, when people were asked to hire workers and put them on the pay roll and add another man and increase the flow of buying power, unfortunately, and I think with cause, industry seemed to be paralyzed to do anything about it. What should industry do?

Dr. Schmidt: When you say industry, do you mean industry acting collectively through some super-organization, or the individual man—the man that runs the hamburger stand?

Mr. Nathan: Let's separate the two. First, can the individual business man do anything?

Dr. Schmidt: I think he can do something, and we exhort him constantly to do something. We encourage them to regularize employment through experience rating and the unemployment compensation law. We think that is one of the tools, a combination of government and industry.

We think that inventory speculation is a very dangerous thing.

Mr. Terborgh: But Bob, don't you consider the episode of 1931-32 as an example of the lack of success of governmental policies?

Mr. Nathan: No, I certainly don't. I think it is a lack of governmental policy rather than a lack of success of it.

Mr. Terborgh: It was maladministration of controls the government had—control over credit.

Mr. Nathan: Nonfeasance — it wouldn't do anything.

Mr. Terborgh: I agree.

Mr. Henderson: In other words, Mr. Terborgh doesn't agree with the Hoover policies and he would lay the depression on his doorstep.

Mr. Nathan: Now let's come back to this other matter, Schmidt. What about the element of business collectively? What can business collecively do to avoid a real depression?

Dr. Schmidt: I don't think business collectively can do very much to avoid a depression because the anti-trust laws are right on their necks. It is up to the individual.

Mr. Henderson: In other words, in order for business to act collectively, we have got to violate the tradition of competition, is that it?

Dr. Schmidt: I think that is the very meaning of collective action. For example, they control new investment — the trade associations do. Do we want that in this country?

Mr. Henderson: Do you?

Dr. Schmidt: I certainly don't.

Mr. Henderson: What about all society, acting through government, doing something?

Dr. Schmidt: That is in a different realm. Bob wants to talk about what business can do.

Mr. Nathan: That is what I want to bring it around to. It seems to me one place in a competitive society where one can turn to try to correct any kind of distortions or any kind of organizational difficulties that stem from and lead to these depressions. The question in my mind is, just how far shall government go in doing that, since government is the only one that can do anything about it?

Dr. Schmidt: I would like to see government try to devise incentives. I am not sure this is a good suggestion but we certainly ought to look into the possibility of taxing inventory profits. I am not recommending it, but if inventory accumulation was the major cause of the 1930 collapse, we ought to avoid inventory accumulation. Should businessmen cooperate with the government in that?

Mr. Terborgh: I am not questioning, myself, that this is a job for government. I merely say that the remedies that were tried in the 30's were either unsuccessful or only partially successful, and that the same remedies are now urged today without proposals for correcting the errors of the 30's.

Mr. Nathan: Unfortunately, the remedies of the 30's I think were nonfeasance, where no actions were taken, or inadequate actions.

Mr. Henderson: There never was a time when the government spending program was adequate to take care of every party out of a job. I think that is one of the disgraces of the 30's.

Mr. Terborgh: What would they have done to employ everybody out of a job? I would like to get a list of the projects, or types of projects.

Dr. Schmidt: Or the dollar value.

Mr. Henderson: I think if you had a Social Security program where somebody lived reasonably decently while out of a job, you would have a stimulation to buying. I think if you had a tax policy that exempted—take my idea of getting rid of corporate taxes entirely, and also exempting people or families that spend all their income for consumption purposes. I think there was a tremendous drain of all of the regressive taxes on purchasing power during the 30's, and I think we certainly could have developed a housing industry. All during this time there was a tremendous shortage of housing and there was never any possibility of getting a really adequate housing program.

Mr. Terborgh: That raises a point I am very much interested in, because the failure of the building industry to revive in the second half of the 30's was perhaps the most characteristic feature of that era, and it was in no small degree attributable, I believe, to the fact that we raised building costs by more than a third during the four years 1933 to '37. We killed off the recovery of housing construction by a mistaken policy as to costs in the building field. The NRA did part of it. The great boom of '36 to '37, the organizing boom of that period, did the rest of it.

Mr. Henderson: If you had the government creating conditions under which the construction industry could have gotten rid of the monopolies on the one side, the restrictions by the cities on the other, and the labor monopolies, you could have gotten the cost of the house down to where somebody could buy it.

Mr. Terborgh: I agree.

Mr. Henderson: The construction industry under the so-called laissez-faire system has been going along now since the early 20's and has not gotten itself into shape where you can get a decent dollar's value in housing. It seems to me that there is a governmental situation.

Mr. Terborgh: What should the government do?

Mr. Henderson: I would have the government bring about a set of conditions under which you would get a real guaranteed annual wage, for example, for the construction industry. I think your dollar cost in housing for labor would go 'way, 'way down.

Dr. Schmidt: How would you implement the guaranteed wage? Would you pass a law?

Mr. Henderson: I would be glad to pass a law. I am ready to pass a law any time it is going to mean some employment, because, to me, one of the disgraces of the period I have lived in has been unemployment.

Mr. Terborgh: Do you think that compelling contractors, mostly small fry, to guarantee annual wages in an industry like that—

Mr. Henderson [Interposing]: That doesn't have to be guaranteed by the small contractors, if you have a joint participation between the contractors and the government. We have it on many, many other fronts. There is a joint participation with the government on housing finance. Certainly it has been one of the best things we have ever done to bring down the interest cost. It is a minor levy that worked very effectively—a reduction of $\frac{1}{2}$ of 1% in the FHA interest rate in 1938.

Mr. Nathan: I think if we go off on that one field we are going to miss the big issue. The big issue is, first of all, whether depressions can be avoided, whether they can be combated. I would like to stick my neck 'way out and say that my guess is that depressions have no divine origin, depressions are not inevitable, and we can do something about them; secondly, unless we do something about it, whatever degree of free competition we have is going to be lost to us and we are going to have some other kind of system. It seems to me the biggest single threat to the competitive free enterprise system lies in conditions such as we had in the early 30's, and until government does something about it we are not going to have any answer to that.

Mr. Terborgh: Those are non-controversial statements but I should like to ask, should we leap to the alternative of governmental guarantee of perpetually full employment?

Mr. Nathan: If you mean by perpetually full employment that everybody gets a job the day he is out of uniform, I would be inclined to say no, you wouldn't get flexibility in the system; but if you mean we won't have more than three million unemployed at any one time—or you might go to four—then we don't want a guarantee beyond that, that is different; but if you are going to sit back and let it go to ten or fifteen or twenty million unemployed, I don't think there is any question about it that government—

Mr. Terborgh [Interposing]: You are not talking to me, you understand, I have said the contrary; but I am asking whether we must go to the other extreme of undertaking a commitment to see to it that everybody has a job all the time.

Mr. Nathan: Not everybody all the time, Terborgh, but we must see to it that there are opportunities for people to get to work, and get to work reasonably quickly once they lose a job. In this advanced, in this competitive, in this interdependent society of ours, when a man loses his job his sole source of income is gone and he hasn't a chance to go out and develop some kind of job as he did in the early days when people were more or less on their own initiative, and it seems to me the government has a very, very fundamental responsibility to see to it that job opportunities are available reasonably soon after anybody loses a job, and if private industry doesn't do it, I think government must.

Mr. Henderson: I certainly tend to agree with Bob, and I would like to ask Terborgh and Schmidt, which do they think is worse, some kind of undertaking on the part of government for reasonably full employment or avoiding all the trouble that comes with, say, ten million people unemployed?

Dr. Schmidt: I think there is no disagreement on that, but I would like to see us spell out what are those things that the government ought to do.

Mr. Henderson: I will be glad to spell some of them out. In the first place, I would like to see the government accept this responsibility, and then I would like to see—

Dr. Schmidt: Pass the Murray Full Employment Bill, is that it?

Mr. Henderson: I will take that as a starter, because that says that government does assume this responsibility.

Dr. Schmidt: It says that the United States does.

Mr. Henderson: The United States assumes this responsibility.

Dr. Schmidt: Not the government.

Mr. Henderson: But to me there is no difference. Sometimes I think that people try to make a distinction between their government and themselves.

Dr. Schmidt: The author of the bill used the United States.

Mr. Henderson: I said I will take it for a starter and if you have a good amendment, I will take that too.

Once having done that, and having Congress committed to that particular idea, I would like to see a program on taxation, on social security, on minimum wages, particularly for the very, very low level people. I would like to see a program for fortifying foreign trade. I would like to see the housing I talked about and stabilization of the construction industry, taken together with public works; and then I would like to see a real vigorous anti-monopoly campaign.

Mr. Nathan: May I add one word on that, Leon? The program which you have listed, which I think is a good basic one to start with, is one which is entirely within the sphere of government activity.

Mr. Henderson: And it doesn't involve a direction to a manufacturer that thou shalt produce this and nothing else.

Mr. Nathan: Or the government will do it if you don't.

Dr. Schmidt: It works indirectly rather than directly.

Mr. Nathan: That is right. The main thing is to see that there is an opportunity for business to employ people, an opportunity for business to provide jobs, and that opportunity must come through an assurance that there will be a market for them to sell their goods. That is why when we come back to a consideration of whether or not there is going to be a depression, I think over and over again we must come back to the realization that in order to have prosperity in the United States we are going definitely to have to have a high level of consumption.

Mr. Terborgh: Do you think it is possible for the Government to guarantee unequivocally to employ at all times everyone not employed by private industry?

Mr. Nathan: Let's take a figure, George; let's compromise with a figure of two and a half million. I think it is quite possible for the Government to say that when the level of unemployment in the United States gets to two and a half million, or let's say 4% or 5% of the total gainful workers in America, the Government will assure jobs for any additional unemployed, and if industry doesn't—if Government doesn't create the environment for industry to do it—that Government will put them to work.

Mr. Henderson: It doesn't necessarily mean that the Government has to have a specific job. I think if you would set a tax policy in which you had a graduated income tax and in which you would balance the budget at a high level of employment and keep it there, and I think if you provided adequate Social Security, that you would be creating some of the conditions under which people would get jobs.

Mr. Terborgh: That doesn't answer my question.

Mr. Henderson: It certainly answers it as far as I am concerned.

Mr. Terborgh: I asked whether the Government should undertake an unequivocal commitment to hire everybody.

Mr. Nathan: I will answer it unequivocally. I don't think there is any question that the Government should.

Mr. Terborgh: I don't think it can deliver on it.

Mr. Nathan: That is another question.

Mr. Terborgh: It would mean boondoggling.

Mr. Henderson: I will take boondoggling before I will take unemployment.

Mr. Nathan: It depends on the kind of planning the people who are against planning are willing to go along with. If we are going to take away the mechanics and the funds to do any planning, then we are certainly going to have boondoggling, but I think we are going to avoid that. This country can stand rebuilding, can stand a great deal more of the resources, services, education, health, homes, urban redevelopment, highways, bridges—there are plenty of things we need and we just don't have to have boondoggling, George.

Mr. Terborgh: Many of those things you would be carrying on in depression and prosperity alike. They do not offer depression remedies as such.

Mr. Nathan: If there is a real question, and I certainly do not grant it, but if there were a real question whether the Government could put people to work in useful activity when private industry doesn't, you must come to the conclusion that we in the United States can produce just more than we can use, and I do not agree with that.

Mr. Henderson: I want to get in on that, too, because I gather from what Terborgh is saying that he is talking about what you do once you are in the depression. I think that a lot of these things that you listed would keep us out of a depression because you would maintain a high level of consumption.

Mr. Nathan: That is a very important point, Leon. We must decide here, I believe, whether or not the Government has the responsibility to try to avoid depressions or just to alleviate conditions when we get into a depression. I would like to ask Mr. Schmidt, for instance, what do you think the Government ought to do to try to alleviate depressions, to avoid depressions?

Dr. Schmidt: To avoid depressions—that is a very difficult thing to do because, after all, we talk about free enterprise, but there is no such thing as free enterprise, as you can look up in the telephone book, and we have 140,000,000 people making decisions to spend and invest and how can the Government govern those people unless it regiments them? How can they prevent depression? For instance, what should we have done in '28 or '29 to prevent the subsequent depression? That is what you are asking. What would you recommend?

Mr. Nathan: I will give you a recommendation, but the first thing I want to say is that your implication is that the Government can do literally nothing without regimentation. I think there are certain forces in our free competitive society that cause depressions. I think there are certain distortions that arise during periods of prosperity which inevitably create the breaking point. Why did we have a depression in '29 after we had the years of prosperity and everybody through the millenium had arrived, and suddenly the thing broke? It broke because something was wrong. I think the reason we had the depression at the end of '29 was because during the 20's we didn't have enough mass buying power at low income levels; we had too much investment relative to the level of consumption. With a proper program of consumption, of Social Security, of decent, reasonably high wages, of foreign trade development, of public works when necessary, of anti-monopolistic practices, I think we can avoid a lot—not necessarily all of them but a lot of the reasons for depressions.

Mr. Henderson: And I don't call them regimentation.

Dr. Schmidt: I would agree with most of what Nathan said. Would you agree, George, we had over-investment in the late 20s?

Mr. Nathan: Over-investment relative to something—over-investment relative to actual consumption.

Mr. Terborgh: We had some in the housing field and building.

Mr. Nathan: What about inventory?

Mr. Terborgh: The inventory situation wasn't bad.

Mr. Nathan: We had a period of very high prosperity, very intensive economic activity, but inevitably in that period of economic activity because of distorted relationships—and I think you brought that out in your own reports, George—in the distorted relationships it was inevitable that the thing would break.

Mr. Schmidt: But can you see these distortions while you are going through the process or recognize them only when you have gone through?

Mr. Nathan: You or Terborgh said in your original statement here this evening that we haven't learned very much and it may be ultimately we will learn how to handle this thing. I think in the last decade or 15 years we have learned a great deal. Maybe we don't know the answer altogether and I am positive we have a great deal more to learn, but if we are going to sit back and be timid because we don't know everything, then Heaven help us, we won't have this kind of system to work with.

Mr. Henderson: I think England and Canada think the same way.

Mr. Nathan: They are doing something.

Dr. Schmidt: Will they know what to do when the crisis comes?

Mr. Henderson: The crisis comes when you get a certain number of people out of work, and then there is a choice of things that you can do. You can reduce taxes, you can underwrite foreign trade, you can step up the Social Security, and you can do more building. There are lots of things that you can do and, as I say, not consider them as regimentation.

Chairman Granik: We pause for a summation of the arguments advanced this evening. Mr. Schmidt, will you sum up?

Dr. Schmidt: It appears that Mr. Terborgh and I agree that while there is much that can be done to mitigate depressions in a free society where you have free consumer choice and free investor decision, it is exceedingly difficult to be sure that you can iron out the fluctuations completely.

I think Mr. Terborgh and I would agree that there may be something to the idea of a flexible tax policy. For example, if depression threatens, we might reduce taxes, as Mr. Henderson has suggested. If you could rebate taxes or remit taxes of 10 billion dollars when depression threatens, something might be done to maintain purchasing power.

Mr. Terborgh and I agree a well-rounded Social Security program is a desirable feature, and certainly we ought to provide income for everybody who loses his job. This country is rich enough, certainly, to afford that. Private business, being composed of millions of independent units, can't do very much as such, but the individual businessman probably can do a good deal by better planning, by avoiding inventory speculation, by avoiding excessive expansion, and trying to build more of his capital during depressions when he can get it at low cost rather than during peak periods as was done, for instance, in the skyscraper building in 1928 and '29 in New York.

I think there are a great many other things that the Government can do, but certainly if the Government is going to adopt a policy, it needs to coordinate all the various bureaus, especially the lending and the loan guaranty bureaus, so that you can have a flexible policy of amortization period, interest rates, and various other devices which will encourage greater loans during threatening depression and somewhat choke off the excessive loans during periods of excessive expansion.

Chairman Granik: Thank you, Mr. Schmidt; and will you sum up, Mr. Nathan?

Mr. Nathan: I think it is only fair to say that Mr. Henderson and I feel very strongly that this system of ours, as Leon once said, has a lot of kick left in it. We feel that depressions and serious unemployment and mass deprivation are not necessary and can be avoided within the framework of a free enterprise system, without regimentation.

During the transition or during the early stages of the reconversion, we feel that some disturbance, some chaos, some unemployment is going to be inevitable, but with proper governmental policies during that period as well as later on, a great deal can be accomplished to iron out these serious depressions and serious unemployment.

As for the longer run, we believe, and sincerely so, that Government does have a responsibility. Government has a responsibility to maintain a high level of economic activity. Government has a responsibility to provide people with jobs when free private enterprise cannot provide them with jobs. We believe those jobs can be provided through useful, valuable public works, because we believe that within these United States there are tremendous demands unsatisfied among the millions and millions of Americans which Government can help to satisfy.

We certainly also feel very strongly that these programs of government, which would include taxation, progressive taxation, elimination of the regressive taxes that fall on the lower income groups and affect consumption; we believe that a social security system which is adequate to provide people with a real sense of security, and financed in a way so as not to deflate rather than as the present system does: we believe minimum wages and a continuous high wage policy: we believe that foreign trade, foreign development, foreign loans, public works program and a vigorous anti-trust and antimonopolistic activity on the part of government; will combine together to help give this system of ours the economic environment necessary for private industry to provide jobs. Private industry alone cannot do it and Government must.

Chairman Granik: Thank you, Mr. Nathan. Our time is up. [Applause.]

The Securities Salesman's Corner

By JOHN DUTTON

There is no absolute test of the pulling power of advertising before it is used. But there are some (sure fire) ways to waste money on both direct mail and newspaper advertising IF YOU DON'T USE THE RIGHT "FOLLOW UP" PROCEDURES.

Just last week we were shown a collection of several thousand cards—names of people who had replied to direct mail advertising. The firm that had these names spent a small fortune in direct mail advertising—all they had to show for it was a modicum of business AND A COLLECTION OF NAMES. Such names are not leads. They are not leads because they were not followed up within a few days after the request for the booklet, which the firm offered in its mail campaign, was received. LEADS SHOULD BE FOLLOWED UP WITHIN A WEEK AT THE LONGEST—otherwise they lose their effectiveness. After several weeks, or a month, goes by, the chances of securing a favorable interview diminish rapidly.

Another point that is overlooked in following up leads is that many salesmen fail to qualify their prospects properly. There is always a certain percentage of curiosity seekers, or people who have such a small amount of business to offer that it just doesn't pay a salesman to waste time on them. In this particular instance, this firm had poured thousands of letters into Uncle Sam's mails offering a handy record book for keeping track of security holdings. Lists of all types of security holders were used. The percentage of return averaged very low, but huge mailings brought in the large number of replies. To add to the initial expense involved, the booklet itself was also quite expensive.

At the time this campaign was conducted the firm had about ten salesmen. Today they have three—and they are a lot better off. The salesmen they now have calling on leads are not only qualifying customers, but they are working. Formerly, some of their salesmen would visit a prospect who had replied to the mail campaign and they would deliver the book that was requested. Then WITHOUT GOING INTO THE VALUE OF SUCH A RECORD, AND WITHOUT STRESSING THE IMPORTANCE OF SUPERVISED INVESTMENT ASSISTANCE THAT THEIR FIRM WAS ABLE TO CONTINUOUSLY PROVIDE FOR THEIR CLIENTS, they made another offer. THEY OFFERED TO SUPPLY STATISTICAL REPORTS ON THE PROSPECT'S HOLDINGS. They **gave away plenty,** they made this valuable service too easy to procure; **they made the whole idea too cheap.** As a result the firm was busy sending out statistical reports, spending money right and left, and the only ones who had a good time were the prospects; EVEN THE SALESMEN GOT TIRED OF THE WHOLE IDEA. They finally began to knock the entire plan, they said it wasn't any good.

The plan is good. It is being proven so today. But now it is used properly. One more thing the new sales-manager did when he cleaned out this sales organization. He also cut down on the volume of his mailings, BUT HE IMPROVED THE QUALITY OF HIS LISTS. This idea of sending out thousands of names from old lists where replies contain a large percentage of deadheads, is not only a waste of valuable printing, stationery and postage—BUT IT IS ALSO A WASTE OF A VALUABLE SALESMAN'S TIME.

Another good tip—this firm now uses the reports of a large national statistical agency, but when a request for these reports is brought in by the salesman THEY ARE RETYPED UPON SPECIAL STATIONERY WHICH CARRIES THE FIRM'S NAME AT THE TOP, WITH CREDIT GIVEN TO THE AGENCY THAT PREPARED THEM IN SMALL PRINT AT THE BOTTOM OF THE PAGE. This way the prospect see's the advertising of the dealer instead of the statistical agency. Incidentally, sales have picked up since the shakeup in this firm's sales organization was made a few months ago. One of their salesman who knows his business told us, "I want five leads, if two of the leads will qualify, I'll sell one!" That's 20% average on calls—even a 10% average is excellent.

Public Utility Securities

(Continued from page 734)

and it is these metals which are the most unstable and hence more suitable for disintegration. It is a little doubtful whether lead could be used since it appears to be an "end product" of the unstable heavier elements. Secretary Stimson has hinted that research with other elements than uranium has been undertaken, but no commercial results were obtained as yet.

The section of the utility industry which may be most "vulnerable" might be the gas producing and distributing companies, including the pipe lines. However, natural gas is extremely cheap and plentiful. The use of gas for wholesale industrial use, for heating boilers, etc. (now largely prohibited by conservation measures) might be restored since it would no longer be so essential to save our gas resources. Manufactured gas, usually more expensive than natural gas, might face difficulties.

A more immediate effect may be the increased reluctance of Congress to authorize huge expenditures for new hydro-electric developments, under the guise of navigation improvement, flood control, "social improvement of backward areas," etc. The huge dams and power facilities might become "white elephants" in the new era. Congress, in any event, will apparently control the commercial development of the new power-source if and when it is commercialized.

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. 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.

Details—See issue of Aug. 9.

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

Underwriters—Blyth & Co., Inc.

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.

Details—See issue of Aug. 9.

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.

Underwriters—The underwriting group is headed by Lehman Brothers.

MONDAY, AUG. 20

COLONIAL STORES INC. has filed a registration statement for 60,000 shares of cumulative preferred stock, 4% series, par $50.

Details—See issue of Aug. 9.

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.

Underwriters—The underwriting group is headed by Hemphill, Noyes & Co., First Boston Corp. and Kidder, Peabody & Co.

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.

Details—See issue of Aug. 9.

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 between the par value of the new stock and the $45 redemption value of the Class A stock.

Underwriters—The underwriting group is headed by Paul H. Davis & Co. and Union Securities Co.

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.

Details—See issue of Aug. 9.

Offering—The public offering price of the debentures is 100 and of the common stock $8.25 per share.

Underwriters—Straus & Blosser, Chicago, is named principal underwriter.

CHICAGO CONSUMERS COOPERATIVE, INC., has filed a registration statement for 17,500 shares of common stock, par $20.

Details—See issue of Aug. 9.

Offering—The price is $20 per share.

Underwriters — No underwriting. Sales will be conducted by members and officers to prospective members.

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.

Details—See issue of Aug. 9.

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.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane is the principal underwriter.

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.

Details—See issue of Aug. 9.

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

Underwriters—Central Republic Co., Inc., heads the underwriting group.

SATURDAY, AUG. 25

CONSOLIDATED BISCUIT CO. has filed a registration statement for 60,000 shares 4½% convertible cumulative preferred stock, par $20.

Details—See issue of Aug. 9.

Offering—The offering price to the public is $20 per share.

Underwriters—The principal underwriters are F. S. Yantis & Co., Inc., and Dempsey & Co., both of Chicago.

MONDAY AUG. 27

SUN-KRAFT, INC. has filed a registration statement for 100,000 shares of 30-cent cumulative convertible preferred stock and 200,000 shares of common reserved for conversion of the preferred.

Business—Principal product sold by the company is the Sun-Kraft ultraviolet generator designed primarily for home use.

Offering—The price to the public is $5 per share. In addition to the 90,000 shares which are to be offered to the public, 10,000 shares of the preferred are to be issued by the company to the estate of Eben D. Norton in exchange for 100,000 shares of common stock owned by the estate. These 100,000 shares of common are to be retired and cancelled.

Proceeds—Net proceeds to the extent of $110,000 will be applied to the redemption of outstanding class A stock and the balance will be used for general corporate purposes.

Underwriters—Floyd D. Cerf Co. is named principal underwriter.

Registration Statement No. 2-5857. Form S-1. (8-8-45).

BROCKWAY GLASS CO., INC., has filed a registration statement for 10,000 shares of 5% cumulative preferred stock, par $50.

Address—1947 Seventh Avenue, Brockway, Pa.

Business—Manufacture and sale of general line of glass containers.

Offering—The price to the public is $50 per share. The company will offer the securities to the residents of the City of Muskogee, Okla., and others who are interested in the establishment of a glass plant by the company at Muskogee, as well as to persons living in the vicinity of Brockway, Pa.

Proceeds—The proceeds will be used to purchase land and buildings at Muskogee, the machinery and equipment in the plant and for repairs and for additional working capital.

Underwriters — There are no underwriters.

Registration Statement No. 2-5858. Form S-2. (8-8-45).

TUESDAY AUG. 28

CELOTEX CORP. has filed a registration statement for $5,000,000 15-year 3¼% debentures and 100,000 shares of 5% cumulative preferred stock, par $20. The offerings of the debentures and preferred stock are independent offerings, which may but need not be made concurrently.

Address—120 South LaSalle Street, Chicago, Ill.

Business—Building material business.

Offering—The public offering price of the debentures and preferred stock will be filed by amendment.

Proceeds—The net cash proceeds from the sale of the debentures and preferred stock will be used to redeem the outstanding 12-year 3¾% debentures due July 1, 1945, at 102½ and the balance added to the general funds of the company. As of April 30, 1945, there were $2,757,000 of the 3¾% debentures outstanding. The company has in contemplation plans for the modernization, expansion and acquisition of manufacturing and mining facilities, which it is expected will reduce costs, provide for new developments, increase production of existing and new products and improve working conditions to enable the company to meet anticipated post-war requirements.

Underwriters—Paul H. Davis & Co., Chicago, heads the underwriting group, with names of others to be filed by amendment.

Registration Statement No. 2-5859. Form S-1. (8-9-45).

JEFFERSON LAKE SULPHUR CO., INC., has filed a registration statement for 167,000 shares of common stock, $1 par.

Address—1408 Whitney Building, New Orleans, La.

Business—Production and sale of crude sulphur.

Offering—The company is offering to the holders of its common stock of record on Sept. 3, 1945, the right to subscribe at $9.75 per share for additional shares on the basis of seven-tenths of one share for each share held. Subject to the prior rights of holders of subscription warrants, officers of the corporation, who are not directors, and employees will be entitled to subscribe to 21,287 shares at $9.75 per share.

Proceeds—Net proceeds with treasury funds will be used to complete a surplus plant at Long Point Dome, Fort Bend County, Texas; for construction of a carbon-black plant at Clemens Dome, Texas; for the development of mineral properties at Manhattan, Nev., and balance for working capital.

Underwriters—D'Antoni & Co., New Orleans, is the principal underwriter.

Registration Statement No. 2-5860. Form A-2. (8-9-45).

WEDNESDAY AUG. 29

STANDARD FORGINGS CORP. has filed a registration statement for 120,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Address — 80 East Jackson Boulevard, Chicago, Ill.

Business—Manufactures carbon and alloy steel forgings.

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

Proceeds—The proceeds to go to the selling stockholders.

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

Registration Statement No. 2-5861. Form S-2. (8/10/45).

CENTRAL HUDSON GAS & ELECTRIC CORP. has filed a registration statement for 445,738 shares of common stock. The shares are issued and outstanding and are owned by Niagara Hudson Power Corp.

Address — South Road, Poughkeepsie, N. Y.

Business—Public utility.

Offering—The shares are to be sold at competitive bidding and the price to the public will be filed by amendment.

Proceeds—The proceeds from the sale of Central Hudson common stock together with the proceeds from proposed sale by Niagara Hudson of its holdings of 41,515 shares of preferred stock in Central New York Power Corporation, 201,500 shares of common of Consolidated Edison Co. of New York, proceeds from a bank loan of $40,000,000 together with treasury funds will be used by Niagara to make a contribution to its subsidiary, Buffalo, Niagara & Eastern Power Corp., in the amount of $63,000,000 to be applied to the retirement of the latter's $1.60 cumulative preferred stock.

Underwriters—To be filed by amendment.

Registration Statement No. 2-5862. Form S-1. (8/10/45).

ASHLAND OIL & REFINING CO. has filed a registration statement for $5,000,000 20-year 3% sinking fund debentures due 1965.

Business—Oil and gas.

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

Proceeds—The net proceeds will be applied in part to the prepayment at 103¾ of the $3,750,000 3¾% promissory notes held by the Equitable Life Assurance Society of the United States requiring $3,890,625, and the balance will be added to the company's general funds.

Underwriters—The underwriting group is headed by A. G. Becker & Co., Inc., of Chicago.

Registration Statement No. 2-5863. Form S-1. (8/10/45).

THURSDAY AUG. 30

CONSUMERS POWER CO. filed a registration statement for $113,825,000 first mortgage bonds series due 1975. The bonds will be sold at competitive bidding and the interest rate will be named by the successful bidder.

Address—212 Michigan Avenue, West, Jackson, Mich.

Business—Public utility.

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

Proceeds—The proceeds from the sale of the bonds, with a $15,000,000 bank loan and approximately $12,000,000 of treasury funds will be used to retire outstanding bonds and 191,924 shares of $5 preferred stock which, with premiums, will require $140,803,720. The company does not propose to retire its 547,788 shares of outstanding $4.50 preferred stock. The company will retire a total of $113,825,000 outstanding first mortgage bonds as follows: at 103½, $18,925,000 3½% series due 1965; at 106½, $55,153,000 3½% series due 1970; at 105¼, $21,832,000 3¼% series due 1966, and at 108, $17,915,000 3¼% series due 1969. The $5 preferred stock will be redeemed at $105 per share.

Underwriters—The names will be filed by amendment.

Registration Statement No. 2-5864. Form S-1. (8/11/45).

GENERAL MILLS, INC., has filed a registration statement for 100,000 shares of cumulative convertible preferred stock, par $100. The dividend rate will be filed by amendment.

Address — 200 Chamber of Commerce Building, Minneapolis, Minn.

Business—Production of flour, package foods and feeds.

Offering—The company proposes to issue warrants to common stockholders of record Sept. 7, 1945, to subscribe at the rate of one share of the new convertible preferred for each 20 shares of common stock at a price to be filed by amendment. Warrents will expire at 3 p.m. Sept. 19, 1945.

Proceeds—Proceeds will be added to the company's general corporate funds and used, among other things, to finance future plant expansions. Proceeds also may be used to increase working capital.

Underwriters — The underwriters are Dillon, Read & Co., Inc., Allison-Williams Co., C. S. Ashmun, Cadwell Phillips Co., J. M. Dain & Co., Frank & Belden, Inc., Goldman, Sachs & Co., Hemphill, Noyes & Co., Kalman & Co., Inc., Kuhn, Loeb & Co., W. C. Langley & Co., Lee Higginson Corporation, Merrill Lynch, Pierce, Fenner & Beane, Park-Shaughnessy & Co., Piper, Jaffray & Hopwood, L. F. Rothschild & Co., Smith, Barney & Co., Union Securities Corporation, Watling, Lerchen & Co., Dean Witter & Co., Harold E. Wood & Co., and Woodard-Elwood & Co.

Registration Statement No. 2-5866. Form S-1. (8/11/45).

SATURDAY SEPT. 1

FABRICON PRODUCTS, INC., has filed a registration statement for 28,960 shares of common stock, $5 par value. The shares are issued and outstanding and are being sold by five stockholders, including 18,960 shares by Lawrence O. Turner, President of the company.

Address—1721 Pleasant Avenue, West, River Rouge, Mich.

Business—Trim foundation panels, deadener felt and other fibre products for the automobile industry, wrapping materials, etc.

Offering—The price to the public is $25 per share.

Proceeds—The proceeds go to the selling stockholders.

Underwriters—Baker, Simonds & Co., Detroit, Mich.

Registration Statement No. 2-5867. Form S-1. (8-13-45).

VALLEY OSAGE OIL CO. has filed a registration statement for 143,659 shares of class A stock. Of the shares registered 113,468 are being sold by the registrant and 30,191 shares are issued and outstanding and are being sold on behalf of the Thomas Gilcrease Foundation.

Address—102 West Crockett Street, San Antonio, Texas.

Business—Oil business.

Offering—The price to the public is $12.50 per share.

Proceeds—The proceeds to be received by the company will be used to acquire new leases and oil properties, exploration and development work, etc.

Underwriters—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway, New York, N. Y.

Registration Statement No. 2-5868. Form S-2. (8-13-45).

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 190,464½ warrants. The warrants are issued and outstanding and are being sold by American Car & Foundry Investment Corp.

Details—See issue of July 12.

Offering—The warrants entitle the holder to subscribe to the common stock of the company. The selling stockholder, American Car & Foundry Investment Corporation, proposes to offer the warrants for sale to the public commencing approximately Aug. 1, 1945, with the price to be determined from day to day by market sales of the warrants.

Underwriters—None mentioned.

AMERICAN ENGINEERING CO. on Feb 27 filed a registration statement for $3,000,000 5% 15-year sinking fund debentures due 1960 and 200,000 shares of common stock. Of the stock registered 132,000 shares are issued and outstanding and being sold by stockholders.

Details—See issue of March 8.

Offering—The debentures will be offered at 100 and the common stock at $7.50 per share

Underwriters—Van Alstyne, Noel & Co heads the underwriting group, with the names of others to be supplied by amendment.

Registration Statement withdrawn Aug. 3.

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.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

COMMERCIAL CREDIT CO. on June 7 filed a registration statement for 250,000 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

Details—See issue of June 14.

Offering—Company is offering the holders of the 121,938 shares of 4¼% cumulative convertible preferred stock to exchange their stock, share for share, for the new preferred. The underwriters have agreed to purchase any of the 250,000 shares of preferred not issued in exchange for outstanding preferred. Company will call any of the old preferred at $105 per share plus accrued dividends.

Underwriters—Kidder, Peabody & Co. and First Boston Corp. are named principal underwriters.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).

Details—See issue of June 21.

Offering—Price to the public is given as $35 per share.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

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

Details—See issue of April 26.

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

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

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.

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 warrants for the purchase of 2,000 shares of common for each 15,000 shares of common stock sold in the offering at a price of 45 cents per share.

Underwriter—Tellier & Co.

HAMILTON 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 holders 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.

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.

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

Bids Invited—Company is inviting bids for the purchase of the bonds and stock.

Bids will be received up to 12 noon (EWT) on Aug. 22 at 50 Broad Street, New York City, the interest rate and dividend rate to be specified in the bids.

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.

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.

Registration Statement withdrawn Aug. 4.

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.

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 4½% preferred stock (par $100).

Details—See issue of April 26.

Offering—The company will offer the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

Underwriters—The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

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.

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 4½% equipment trust certificates.

Details—See issue of July 19.

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

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

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.

ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Details—See issue of March 8.

Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.

Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion.

The company also proposes to refund the $4,806,000 first mortgage bonds, 4½% series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. The bonds will be sold at competitive bidding.

SEABOARD FINANCE CO. on July 12 filed a registration statement for $3,000,000 5% 10-year sinking fund debentures due Aug. 1, 1955, and 70,000 shares cumulative preferred stock, series A, with common stock purchase warrants.

Details—See issue of July 19.

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

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

SOLAR 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.

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for $2,375,000 first mortgage bonds, 3⅜% series due 1975; 8,500 shares 4¾% cumulative preferred stock (par $100) and 128,935 shares of common (par $1).

Through amendment filed Aug. 9 the amounts were changed to $1,550,000 bonds, 10,150 shares of preferred and 161,180 common shares (to be offered at $9.50 per share).

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.

Bids Invited—Company is inviting bids to be received by Republic National Bank, 1309 Main Street, Dallas, Texas, up to 10 o'clock (CWT) Aug. 24 or by company at 30 Broad Street, New York, up to 11 o'clock (EWT) the same day, for the purchase of $1,550,000 first mortgage bonds. Bids for the purchase of 10,150 shares of preferred stock will also be received at the same time and places.

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.

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.

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.

Full Employment And Government Spending

(Continued from first page)

and maximum employment in the United States.

Our most serious problem is to achieve a prosperous economy for all, and that means that all who really want to work should be able to get jobs and keep them. The question is: how we can do this and then hold it steady so that we don't have another depression with its hardship and suffering. It is easy to give everybody a job under the Communist system, but everyone has to take the job the Government gives him, and in Socialist countries up to this time the average job has not produced very much in the way of living according to American standards.

So I think we all agree that we can only get full employment on American standards by jobs in private enterprise. At best, Government payrolls could only put about 5,000,000 men to work, and we wish to employ more than 50,000,000. A 10% increase in private employment would produce as many jobs as the biggest possible increase through a public works program. This private enterprise system is a delicately built-up machine. We have to learn to adjust it, and oil it, and run it to full capacity and not throw monkey wrenches into it.

The "Full Employment" Bill

The Wagner so-called Full Employment bill has two features, one good and one bad. It requires the President to give comprehensive planning and thought to our future economic condition, and sets up a joint committee of Congress to do the same thing for Congress. We know more about economic forces today than ever before, and we must apply that knowledge. We cannot afford to permit the recurrence of another depression in the United States.

The bad thing about the Wagner bill is that it regards unlimited public spending as the ultimate solution for every difficulty. The key policy in Section 2 (e) is the statement that "It is the responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment," and then the President is required to recommend a program of Federal investment and expenditure sufficient to bring the aggregate volume of investment and expenditure by all, up to the level required to assure a full employment volume of production.

In the first place, it is very difficult to judge just what is the proper scale of economic activity. If we build up an abnormal condition with Federal money, that is inflation. Sooner or later it will blow up in our faces and bring about the very depression we are trying to avoid. In 1929 I was assured by some of the biggest business men that there was no inflation, that we were in a new era and we had solved the problems of prosperity. But we had not, and the reaction to inflation produced the worst depression we ever had. That was an inflation of private credit. The same thing can happen from an inflation of Government credit.

Government Spending

Government spending leads to a constant increase in the public debt. That debt will be $320,000,000,000 by the end of the reconversion period. This program might increase it by $30,000,000,000 in a single year. It is easy to say that the Federal Government will spend money in hard times and not spend it in good times. Once the Federal Government develops a new line of activity it is not easy to stop it, and it goes on long after the need has disappeared. A deficit spending policy of $3,000,000,000 a year in the thirties did not produce prosperity or employment. This spending not only increases the debt, but it increases tremendously Federal centralized power, for if the Federal Government spends the money, it controls whatever private interests or local government is dependent on that money.

The economic machine cannot run on Federal money. It is an infinitely complex machine and its success depends on a lot of delicate adjustments unrelated to Federal spending. If you build too many office buildings, theaters and hotels as we did in the twenties, then you have none to build for 10 years thereafter, and there is a depression in the whole building industry. If too much money is spent on consumers' goods, then there is not enough capital to build new industries. If too much money is saved, there is not enough purchasing, or the construction of capital is overdone. Prices and wages must be kept in proper adjustment. If prices are too high, millions are unable to buy and all business activity falls off. If wages are too high compared to prices, there is no incentive on the part of anyone to start new businesses or take the risks of increased production. There are a dozen economic forces which may throw the whole machinery out of balance. Government spending has a place, but it is a minor place. We should spend more on public works in hard times and less in good times. But spending is only one factor, and not the most important factor. It is a dangerous drug. An overdose of it can destroy our commercial system and our democratic form of government.

I believe we should set up an Economic Planning Organization, but it ought to consider all possible factors and recognize that Government spending is a cure that may kill.

As far as immediate post-war employment of G. I.'s and war workers is concerned, this Wagner Full Employment machinery could not get going in time to accomplish anything anyway.

Freedom to Individuals and Business

The most necessary and immediate step to restore prosperity is to restore freedom to individuals and business. You can't expect free enterprise to work unless it is free.

(a) We should force the OPA to adopt a much more liberal policy for the reconversion period, eliminating entirely non-essential articles, providing adequate prices for essential articles which will bring thousands of new small concerns into the business of manufacturing needed goods and providing employment. I believe that all controls should be removed from wages early in 1946.

(b) The WPB should be required to relax every control possible. They are inclined to do so, but are continually hampered by the unreasonable demands of the Army and Navy. Unless controls are relaxed we can never get started on new housing, farm machinery, reconversion machinery or hundreds of basic materials required if men are to be put to work when they come out of the Army. Incidentally, the British are months ahead of us in reconversion.

(c) The drafting of new men, and particularly men who are essential in industry reconversion as well as for war work between 26 and 30, should be immediately forbidden. The Army should be forced to release essential men, like the coal miners requested by Secretary Ickes. It is impossible to see how even 7,000,000 men can be used in the war against Japan, and we still have about 8,300,000. The Army actually spent $340,000,000 more in July than they spent in July, 1944. If millions are released in a few months when the Japanese war ends we face serious problems of unemployment and perhaps temporary depression.

(d) Most of the War Manpower regulations should be abolished so that anyone can get a job from anyone else, and the employment agencies should become service agencies under State control, coordinated by the Federal Government.

(e) The OWI and many other agencies should be abolished except to the extent that Nimitz and MacArthur want them for use against Japan.

(f) After some freedom of action is restored, the next essential step toward full employment is to enact a reconversion tax bill fixing definite reduced rates for the reconversion period. It is necessary that both individuals and corporations know at once what their taxes are going to be in 1947. The present estimate of a $46,280,000,000 deficit (which does not count $2,000,000,000 of subsidy payments and $1,800,000,000 of more lending by the Export-Import Bank) is discouraging and unnecessary. With those additions it is within $5,000,000,000 of the record deficit of last year, when we were conducting a two-front war.

A Reconversion Budget

A reconversion budget should be formulated by Congress and should not exceed $20,000,000,000 a year in addition to the temporary aftermath-of-war expenses. If it goes to $25,000,000,000, as the spenders want, we can hardly allow any reduction in the present choking tax rates, and then you don't get more employment.

In the regular Federal budget we should allow for a coordinated program of public works. Highways are already provided for. But only those public works should be authorized which are economically justifiable for their own sake. The theory that public works are justified just because they make jobs, or that they afford any solution of serious unemployment, isn't so. We should arrange to go ahead with these public works when private activity falls off, and let up on public works when private activity is strong.

There are many other measures which should be studied to help create full employment. There has been so much money saved and there are so many unsatisfied demands that I look for reasonably full employment for five years after the war. There may be some dislocation for a short time, especially if the Army insists on its present policy, but our real danger will arise later on, from five to 10 years after the war. Only then can we tell whether we have learned enough about economic forces to prevent depressions. Now we certainly ought to go ahead with that feature of the Wagner bill which creates a Federal agency to put a brain into the overall economic activities of the Federal Government.

Chesapeake and Ohio Railway Advertises to Create Optimism

Conducting a Campaign to Inform Public of Postwar Factors Which Will Create More Jobs. Technological Progress and Expansion in Ten Industries to Be Pictorially Portrayed.

Carl E. Newton, President of the Chesapeake and Ohio Railway, has just released an advertising schedule of his company in conjunction with its affiliated railroads, the Nickel Plate and the Pere Marquette, which aims to dispel the growing concern among workers that we may enter another period of unemployment after the war, and which will stress little known facts of the pent-up demand for civilian goods, and the tremendous technical progress being made by industry, both of which are bound to bolster employment to a degree that is difficult to overestimate. The first advertisement in the series appears elsewhere in this issue of the "Chronicle."

"It is our firm conviction," Mr. Newton tells the editor of the "Chronicle," "that if people could know what the post-war demand for goods will mean in terms of actual jobs; if they could know of the plans business management has for new products, better products, products at lower prices, and the vast number of jobs that these projects are sure to create, they would be optimistic rather than fearful."

"As an exhibit from just one geographical section," continues Mr. Newton, "the Cheaspeake and Ohio has undertaken to tell the people of this country something of what those industries located on its right-of-way are doing to provide post-war jobs. In the course of the campaign, it is our intention to cover ten industries: coal, glass, paper, steel, household appliances, agricultural machinery, packing, chemicals, automotive and food."

Programs such as the C. & O.'s, can do much to allay the "post-war jitters," which has been fanned almost constantly ever since the war started by frenzied discussions, prognostications and forecasts throughout the nation by all sorts and conditions of men.

These have been working toward creating a fear complex both among business men and employees. They have been responsible in part for the revolutionary economic proposals which, if continued and implemented, will eventually lead to the end of free enterprise and new private undertakings, and thus tend toward the creation of a socialistic political state and serfdom of the individual.

Mr. Newton is on the right track when he states that "it is our belief that one of the best ways to give the public confidence in business management and our American enterprise system is for management to demonstrate its interest in the post-war employment problem and its ability to provide a lot of post-war jobs."

If business management and workers proceed to the attack in the battles facing them in the post-war period as well as they took up the tasks of carrying on the war, there need be no fear of the future. But it requires many other public spirited industrialists and enterprisers of the type of Mr. Newton to come out strongly with evidence and proof of their ability and willingness to cope with post-war problems, and thus plant the seeds of optimism in the minds of the people to insure the continued development and expansion of American enterprise and accomplishments.

We need more preaching of better things to come! We already have too many Jeremiahs!

Woolley Quits OPA

Daniel P. Wooley sent to Price Administrator Chester Bowles his resignation as Regional Administrator of the New York Office of Price Administration, the Associated Press reported from Washington, July 31, adding that Mr. Bowles had accepted the resignation, effective immediately.

Mr. Bowles appointed his special assistant, Leo F. Gentner, formerly Regional Administrator for the Pacific Coast, to be New York's Acting Regional Administrator. The Associated Press also stated that at the same time Mr. Bowles disclosed he had rejected a request for a "further hearing" submitted by Paul L. Ross, who was dropped by Mr. Woolley. Mr. Ross was in charge of enforcement for the regional office.

From the Associated Press we also quote:

In an exchange of correspondence, released by Mr. Bowles's office, Mr. Wooley told Mr. Bowles:

"At our last meeting on June 14 I asked that you consider relieving me of the responsibility of the position of Regional Administrator.

"Recent events have delayed the carrying out of that plan.

"However, I can appreciate your desire for the good of the region to have the matter settled."

In his letter of acceptance, Mr. Bowles said:

"When you first broached the question of your resignation some 60 days ago I urged you to stay on. On several occasions since you have reiterated your desire to resign. This letter will serve as my acceptance of it, effective immediately, as you have requested.

"I know how difficult it has been for you to go through with your plans to resign at this time. It is clear to me and to all who know you that your resignation is totally unconnected with any charges reflecting on your integrity which have recently appeared in the press.

"I am convinced that any such charges are without foundation, as I have full confidence in your integrity and personal honesty."

NSTA Notes

"40 Over 8"

Along with V-J announcement, we, members of the NSTA advertising committee, are very much pleased with results to date.

We urge members who are interested in the work done by this committee, to contact any one of the officers or district chairmen for our results.

We are far ahead of last year's final and we are certain the oficers and executives meeting at the end of this month in Mackinac, will recognize this year of 1945 the most successful year for the NSTA financially.

We have a little over two weeks open for those who still would be glad to be part of this campaign for advertising in the NSTA Supplement of the "Commercial and Financial Chronicle" so let's hear from you as soon as possible.

Due to conditions beyond our control we must postpone the tally results until next week.

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.

Calendar of Coming Events

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

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

INDEX

Michigan and Connecticut Securities Section on page 740; Missouri on page 741.