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London Comment

By HERBERT M. BRATTER

International Chamber of Commerce Council Ends Meeting and Announces Plans. British Doubt Our Awareness of Their Problems. Comment on Lack of Precision in King's Speech on "Nationalization." Troubles and Worries of Travel in Europe.

LONDON, ENG. — At a press conference following the International Chamber of Commerce Council meetings of this week Winthrop W. Aldrich, President of the Chamber, made public the resolutions which will be given in the Sept. 6 issue of the "Chronicle." Private business is now organized on a world-wide basis to cooperate with governments through the Economic and Social Council to be set up as part of the United Nations Organization, Mr. Aldrich revealed. As rapidly as countries become members of the United Nations Organization, their businessmen will be welcomed into the International Chamber of

Herbert M. Bratter

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A Code of Int'l Commercial Credit

By EUGENE P. THOMAS*
President, National Foreign Trade Council

Mr. Thomas Proposes a Code of 20 Elements Among Which Are (1) Abolition of Preferential Arrangements; (2) Restriction of Intergovernmental Commodity Agreements to Surplus Agricultural Products; (3) Prohibition of State-Trading Corporations From Discriminating Among Traders in a Given Country; (4) Abolition of Trade-Restricting Cartels; (5) Standardization of International Traveling and Shipping Documents; (6) Arbitration of Commercial Disputes, and (7) Freedom of Residence, Travel and Business Activities to Citizens of Foreign Countries. Calls for International Agency to Pass on Commercial Laws.

The term "commercial" as used in the title of this discussion is not limited to those activities involved in the exchange of goods and services among nations. It comprehends all national acts and policies which affect international economic relations. A code of international commercial conduct must necessarily embrace not only all factors bearing directly on commercial intercourse among nations but also all the acts and policies of individual nations which directly or indirectly affect or have repercussions on the citizens and economies of other countries.

Eugene P. Thomas

In this discussion, I shall not endeavor to lay down in precise terms the provisions which should be incorporated in a code of in-

*Presented by Mr. Thomas at the meeting of the Council of the International Chamber of Commerce in London, Aug. 13-18, 1945.

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U. S. and British Exchange Rates

By MELCHIOR PALYI

Dr. Palyi Sees a Continuation of Pegging of Exchange Rates and an Artificially Controlled Exchange Situation, Even With the General Adoption of the Bretton Woods Program. Holds There Will Be Only a Phantom Gold Standard, Similar to That of the Hitler Regime, and Though Britain Will Hold on to Her Present Exchange Rates, It Will Be at a Price of Maintaining Trade Barriers Which Amount to Devaluation of the Pound. Believes Dollar Has Prospects of Returning to Its Par Value, but That Loss of Gold and Cumulative Rise of Money Circulation Will Compel Later a Reconsideration of Its Foreign Exchange Situations.

For a while no doubt, all exchange rates will remain pegged at the present artificial levels. There is no need to change them so long as there is no normal trade that could be influenced by exchange policies, and so long as the international flow of funds is strictly controlled. For the time being, lend-lease, purchases for and spending by our armies in foreign countries, gold loans (to China), etc., take care of deficits on international accounts which are not fully protected by exchange restrictions.

Dr. Melchior Palyi

But what after? The Bretton Woods program has been accepted by the Senate. Other countries will follow, no doubt. In the light of that program, other international agreements and a multitude of circumstances, the

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Guarantee of Employment Means Totalitarianism

By WILLIAM L. KLEITZ*
Vice President, Guaranty Trust Company of New York

Mr. Kleitz Contends That Government Responsibility for Full Employment Would Destroy Private Enterprise, and That Heavy Deficit Spending to "Make Work" Causes Loss of Confidence by Private Industry and Consequently Reduces Employment. Maintains That Private Enterprise Can Provide Full Employment and That Experience Proves That Remedies Proposed in Murray Bill Are Not Feasible. Says Congress Can Help by Providing Necessary Public Works, by a Sound Fiscal Policy and by Removing Restrictions on Business.

William L. Kleitz

The invitation extended by the Chairman of your Committee to appear before you in your hearings on the Full Employment Bill is greatly appreciated.

Since my statement will be critical of some features of the Bill, I should like to correct one or two possible misapprehensions at the very outset. First, I should like to state emphatically that the institution I represent here is in full accord with what we take to be the broad objectives of the Bill. Those objectives, as we understand them, are, first, to prevent to the greatest possible extent in the future the hardships that have been associated with unemployment in the past; and, second, to prevent those hardships

*A statement made before the Senate Banking and Currency Committee, August 28, 1945.

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The Full Employment Bill

By BEARDSLEY RUML*
Treasurer, R. H. Macy & Co.,
Chairman, Federal Reserve Bank of New York

Mr. Ruml Contends the Objectives of the Full Employment Bill Are Desirable; That the Procedure Provided Is Workable, but the Plan Can Be Successful Only If Basic Legislation Is Adopted for Social Security Financing, Construction, Industry Stabilization, Taxation Reform, Coordination of Federal Lending and Agricultural Welfare. Says Plan Is Superior to, and Differs From Beveridge's Spending Policy and Objects to Such Phraseology as "Right to Work" and "Assurance of Full Employment."

I appreciate the opportunity to testify to this Committee in behalf of the Full Employment Act of 1945. In doing so, I am speaking as an individual, and not as a representative of any organization or association.

Beardsley Ruml

First of all, let me say that I am heartily in sympathy with the objectives of the Bill. Any comments or suggestions I may make are solely for the purpose of strengthening the Bill and, in my opinion, for making the more certain that its objectives will be attained.

The problem to which the Bill is addressed is one of the basic problems of modern life, namely the advancement of human freedom and democracy under the economic conditions of a developing industrial society. We want the improvement in the general material well-being that knowledge, effort and skill can provide, but at the same time we propose to maintain our freedom and our rights.

Today what people want when they demand freedom is a condition under which they can realize, with reasonable completeness, the potentialities as persons that inhere in their capacities as individuals. Accordingly, human freedom is unattainable without productive employment under proper conditions of work, and the right to freedom is meaningless without the opportunity for such productive employment.

The Full Employment Bill is a

*Statement submitted by Mr. Ruml to the Senate Committee on Banking and Currency, Aug. 24, 1945.

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William Gardner Joins C. E. de Willers Co.

C. E. de Willers & Co., 120 Broadway, New York City, announce that William H. Gardner, recently returned after three and one-half years with the Army Air Forces, is now associated with them.

Joseph Goodman to Admit

PHILADELPHIA, PA.—Joseph D. Goodman & Co., 1500 Walnut Street, members of the New York Stock Exchange, will admit J. Donald Goodman to partnership in the firm as of Sept. 10.

NAM Prosperity Program

Proposes Plan Calling for (1) Sound Money and Credit System; (2) Elimination of Special Privileges; (3) Adequate Flow of Private Capital Into Productive Enterprises; (4) Reductions of Tariffs; (5) Elimination of Subsidies; (6) Removal of Special Agricultural Privileges; (7) Removal of Harmful Labor Union Practices and Special Privileges. Also Calls for End of Deficit Spending, and More Economy in Government; a Tax System Which Permits and Encourages Accumulation of Savings; and Federal-State Coordination in Combating Unemployment.

The National Association of Manufacturers on Aug. 28 issued a document entitled, "Program for Permanent Prosperity," containing its recommendations for "Full Employment — Plus in America." This document was presented by Ira Mosher, President of the NAM, along with his testimony, to the Senate Banking and Currency Committee, holding hearings on the Murray Full Employment Bill.

Ira Mosher

Expressing the thesis that the great economic problem which faces the nation is to assure that prosperity should last "not for just a few years, but indefinitely and permanently into the future," the NAM criticizes the many proposals to provide the assurance of this as based upon "some form of spending" to offset the bad effects of unfavorable developments upon the volume of employment. Such proposals, states the NAM document, are not adequate. "They are too limited in vision and too short-sighted in their approach to meet the present need."

"We are convinced," continues the statement, "that it is not sufficient merely to have a plan which at most is designed only to offset the unemployment consequences of unfavorable economic developments. Therefore, we urgently request the American public to join with us in demanding a program, a positive and comprehensive program, which will assure that these unfavorable economic developments shall not occur. We are insistent that the future security of the American people individually, and of this nation as a whole, rests, not upon a defensive program of permanent relief, but upon a positive program for permanent prosperity."

"Formulation of such a positive program for permanent prosperity," it is added, "should encounter no serious obstacles at this time. The problem is not how to get post-war prosperity, but simply how to perpetuate the prosperity which clearly is in the offing. This is a problem which is within the capacity of the American public to solve. Aside from international catastrophes and great natural disasters, there are only three developments which can throw our economic system into a depression—only

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SEC Hearings on NASD By-Law Amendments

Securities Dealers Committee Urges Abrogation of New NASD By-Laws

PHILADELPHIA, Aug. 29—A hearing was held today before the Securities and Exchange Commission on the recent NASD by-law amendments which require the registration of salesmen, employees, traders, partners and officers of member firms, and also for the first time permit the Governors of the National Association of Securities Dealers to submit by-laws to member firms which would "provide safeguards against unreasonable profits or unreasonable rates of commission or other charges. . . ."

Commissioners McConnaughey, Pike and Caffrey sat in behalf of the Commission, Commissioner Healy and Chairman Purcell being on vacation.

The Argument

The case in favor of the proposed by-laws was presented by Mr. Thayer of Baker, Hostetler & Patterson, attorneys for the NASD. Amongst other things, he contended that the proposed by-laws were in the public interest, that they were similar to those already in practice on the Stock Exchange and that the Maloney Act contained implied authority which authorized the passage of those by-laws.

Brief addresses in support of the by-laws were also made by B. Earle Appleton of the firm of Pearson, Erhard & Co., Inc., of Boston; Harold L. Lemlein, sales manager of J. Arthur Warner & Co.; Ralph E. Phillips, of the firm of Dean Witter & Co., and John Strawbridge, of Biddle, Whelen & Co., of Philadelphia.

The Opposition

In opposition to the by-law amendments were A. M. Metz and Edward A. Kole, of New York City, attorneys for the Securities Dealers Committee and for 19 members of the NASD and other non-members, with leave to record any additional appearances as they received authorization.

The following are some of the reasons urged by Mr. Kole upon which the opposition of his clients is based.

In substance "the proposed amendments deal with three special propositions: (1) Registration; (2) control of profits, commissions and other charges, and (3) the subjection of registrants (traders, salesmen, etc.) to the same duties and obligations in disciplinary proceedings that now characterize NASD members."

Mr. Kole said that these amendments should have been separately submitted since they involved independent subject matters.

Ballots sent out to NASD members submitted them en

(Continued on page 949)

Views of Comptroller of Currency Regarding Post-War Banking

Preston Delano, in His Annual Report, Urges Banks to Increase Capitalization, to Meet Post-War Credit Needs and Promote Safety. Says Present Function of Handling Nation's Current Funds and Creating Credit for Governmental Use May Change to Extending Larger Commercial Credits in Aid of Reconversion and Full Employment.

Preston Delano, the Comptroller of the Currency, on Aug. 24 made public his 1944 Report to Congress. In his remarks, the Comptroller discussed the present position of the banks resulting from four years of war financing and pointed out that because of the heavy increase in deposits and the prospective increase in risk assets, it is advisable for the banks, as a primary need, to enlarge their capital funds. He stressed the importance of the banks in supplying adequate credit facilities during the reconversion period, to meet the needs of both large and small businesses, but called for "restraint" in any move to extend the operations of the banks into long-term financing or in assuming the risks of directly participating in the ownership of business concerns.

Preston Delano

The complete text of the Comptroller's report follows:

In this, our fourth year of war, I have the honor to report to the Congress that the national banks of the country are in a sound condition, that their resources and powers are being fully utilized wherever needed in the war effort, and that they can be de-

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Full Employment Under S. 380 And the Beveridge Plan

By PALMER HARMAN

Formerly Research Director, American Enterprise Association

Mr. Harman, Though Noting That the Pending Senate "Full Employment" Bill and the Beveridge Plan Are Similar, Calls Attention to the Constitutional Difference Between the British and U. S. Governments That Would Not Permit the Executive Branch of Our Government to Determine the Employment Budget Without Congressional Approval. Sees "Log Rolling" and Regional Conflicts in Setting Up a Budget for Full Employment and Since the Senate Bill Limits Expenditure to Public Works, Says White Collar Workers Will Be Neglected.

Palmer Harman

A great deal of the social legislation enacted or introduced in Congress during recent years has been opposed on the ground that it would destroy free enterprise. Many of those who are not convinced by this argument, or who are indifferent about the fate of free enterprise, find themselves almost automatically in favor of the legislation, since no other weighty objection has been raised. The three most recent Presidential elections may be interpreted in this way. One result has been the passage of a considerable body of second-rate, defective

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The War Is Over

By ROGER W. BABSON

Atomic Bombs Discussed

BABSON PARK, MASS. — World War II is over. Numerous scares may occur in connection with working out details, especially during the Peace Conference when the spoils will be divided amongst the United Nations. I am just as certain, however that these coming threats will amount to nothing, as I was last year when I said: "Germany will collapse next Spring and Japan a few months later." Last week, when the news of Japan's surrender came, I wrote a column for farmers, who I fear will be the greatest sufferers from an economic standpoint. This week I will write for investors.

Roger W. Babson

Securities to Avoid

Considering industry as a whole, peace must be bullish. If destruction and death are bearish, the end of World War II must result in improved fundamental conditions. Of course, certain war industries, such as shipping, aircraft and munitions, face a tremendous readjustment. On the other hand, these stocks have already discounted much of this readjustment. In fact, the stocks of some of these companies are selling for less than the net liquid assets of the companies. However, even this is no assurance that their stocks will not sell at even lower figures than at present.

The industry, which is strictly a war industry, **which has not yet discounted peace** is the railroads. I have already called readers' attention to this; but I again say that railroad stocks and second-grade railroad bonds are selling too high. It is true they may have another good year in "getting the boys home," but they are threatened both by lower earnings and higher operating costs. Railroad securities which paid dividends before the war may be expected to continue to do so. But the "war babies" will soon begin to pass their dividends. I believe the stocks of all railroads—good and bad—will go off in price.

Tax Legislation All Important

Now that World War II is over, Congress should immediately reconvene and repeal the war taxes, especially the greater portion of the excess profits tax. For political reasons I presume all taxes must be reduced somewhat so that all groups will receive some relief. This reduction, however, should be in proportion to their former increases. Thus, the excess profits tax could be 80% reduced against a 20% reduction in other taxes and yet all groups would be treated alike.

Unless Congress very soon greatly reduces the excess profits tax, many industries will be obliged to shut down, causing much unemployment. Surely the labor situation has now been entirely changed. Already newspaper advertisements, that heretofore asked for more employees, are being pulled out of the papers, while the "Jobs Wanted" columns have begun to increase. Employers need no longer worry about the help situation; but workers may well change their attitude. If you now have a job, give your employer the best service possible.

Atomic Bombs

Now let us consider the possible long-range effects of the new atomic bomb on investments. Briefly these are as follows: The atomic bomb is bearish on downtown city real estate, but bullish on suburban and country property. It is bearish on the airplane manufacturing industry, but bullish on the automobile industry. It is bearish on railroads, but bullish on highway construction. It is bearish upon large department stores, but bullish on chain stores. It is bearish on naval developments, but should help peaceful pursuits. The atomic bomb should aid appropriations for high school and college science courses; but it will kill present plans for compulsory universal military training. It is a warning to investors in public utilities to watch cash book values.

If these atomic bombs are as powerful as the reports indicate, it means that a world organization **with teeth** is absolutely essential to save civilization. The manufacture of these bombs cannot be kept secret. Every nation will know how to make them. There will be bootlegging in atoms! However, even this is bullish and insures world peace for a long time to come, if accompanied by a spiritual awakening. Hence, I am more optimistic today than for many years.

Dewey Calls for Democratic Economy and Lasting Peace

Attacks "Prophets of Gloom", Who Want to Establish Totalitarian Government. Sees "Largest Volume of Unfilled Needs in Our History" as Basis for Post-War Prosperity. Says We Must Reward Risk Taking.

Governor Thomas E. Dewey, completing a round of inspection and speech-making in Northern and Western New York State, delivered an address at Colgate University in Hamilton, N. Y., on Aug. 25, in which he prefaced his review of the preparations and plans of the State Government for the post-war period, by a plea for optimism regarding the future prospects for the nation's prosperity and by an attack on "the prophets of gloom who want us to forget the things we fought for in this war and establish a totalitarian government here."


Thomas E. Dewey

"We are right now in a sort of period of suspense," Governor Dewey stated. "After every war a nation has to readjust and reorient not only its industry and its agriculture and labor but has to sit down at some stage after a war and readjust all of its thinking and figure out the direction into which it wants to go."

Continuing, Mr. Dewey said: We have just completed the most terrible, the most destructive war in history. It was so overwhelmingly the most terrible experience mankind ever went through that the fundamental and major changes which have occurred in many governments around the world are inevitably resulting in impacts upon our American thinking. We find different kinds of government, different types of economy and different types of approaches to the problem of a prosperous peace. Differing nations and the problems of keeping the world at peace, which everyone recognizes, overshadows every other consideration of mankind in the light of the staggering weapons of war which have been developed these last few years.

There are, of course, many conflicting philosophies. We have just fought a war to establish the principle that freedom is the most precious thing in the world. We have fought it against totalitarian government, which worships the idol of an all-powerful State.

Burden of the War

We have established in this war that free men who know what they are fighting for, who live with the genius of free civilization and its incredible capacities to produce, are more powerful than slave men and that the

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The Truman Policies

By HERBERT BROWNELL, JR.*
Chairman, National Republican Committee

Republican Spokesman Contends That the Administration Does Not Keep Public Informed Regarding Its Foreign Policy and That Many Americans Look With Deep Misgivings at the World Today. Says Republicans Will Do Utmost to See That American Activities Under United Nations Charter Are Compatible With Our Peace Aims. Calls For Free Elections Abroad and Attacks "Mass Deportations" of Peoples. Hints "Full Employment" Bill Is Inflationary and Calls for a Sound Currency and a System Which Will Make Our Private Enterprise System Work.

I am speaking to you tonight as National Chairman of the Republican Party, a party which polled more than 22,000,000 votes in the last Presidential election, a party now successfully governing 23 States containing more than half the population of the nation, a party which is within striking distance of winning control of Congress. The Republican Party today nationally is the minority party, but it is a very formidable minority.


Herbert Brownell, Jr.

In England the minority party has a right to question the Government leaders on the floor of Parliament and at all times to demand a clear statement of their domestic and foreign policies. The governmental leaders in Parliament by custom give these statements regularly so that the people are well informed on the basic political issues between the two major parties.

In this country no such system is followed. Demands for a clear statement of Government policy are answered only, when and if the Administration chooses to speak. Too often it has chosen not to speak.

The Republican Goal

The Republican goal at this coming session of Congress, therefore, will be to demand a full public statement of Administration policies at home and abroad, and then to point out to the American people the fundamental conflict between certain Administration policies and the Republican policies. In that way the American people can intelligently choose at the 1946 Congressional elections which program will give the fullest measure of peace and prosperity to our country.

Public attention will undoubtedly first be directed to the policies of our Government in the field of international affairs. The Senate has ratified the United Nations Charter which was formulated at San Francisco. We Americans are accordingly embarked upon a new and uncharted course. With the other nations, we have set up the machinery of international cooperation to maintain peace. How that machinery works will depend upon the wisdom of the men who are selected to operate it. The Truman Administration will be accountable

(Continued on page 987)

*An address by Mr. Brownell, over the National Broadcasting System Network, Aug. 24, 1945.

Public Utility Securities

New Utility Stocks

Since of last comment on new utility common stocks in the May 3 issue, several new stocks have appeared, or are about to make their appearance.

Associated Gas & Electric has virtually completed its reorganization and the "surviving company," representing a merger of the top holding companies will be known as **General Public Utilities.** The new common stock (about 7,500,000 shares to be outstanding) has an active "when issued" over-counter market around 15½. The pro forma earnings projected to 12 months after consummation of the reorganization plan (based on adjusted operating results for the year ended June 30, 1945, including General Gas) equal about $1.34 a share on the new stock. This includes restricted earnings of $0.26 a share, but it does not include the earnings of an important bus-holding company, Associated Electric (presumably Jersey Central Power & Light is also omitted).

The stock is currently selling at nearly 12 times the pro forma share earnings. Since no excess profits taxes are accrued and a substantial amount of system refunding has already been carried out, prospects for earnings growth may be somewhat slower than for some other holding companies. However, it may be remarked that the consolidated earnings statement for the 12 months ended March 31 (including Associated Electric and Jersey Central) showed earnings nearly $2,000,000 (27¢ a share) in excess of the pro forma net income.

On July 26 the SEC approved the plan of General Gas & Electric (Associated Gas sub-holding company) for recapitalization. Holders of the A and B common stocks would receive for each share $1.65 in cash and one-fifth of a share of Florida Power Corp. common, together with a dividend adjustment. However, consummation of the plan and emission of the new stock will probably have to await a Federal Court order. Trading in Florida Power (when issued) will presumably not be initiated until court approval is secured. Florida Power in the 12 months ended March 31 earned about $1.75 a share on the new common stock, after adjustment for the preferred stock refunding earlier this year.

An important issue which may appear in the over-counter market in the near-term future is **Pennsylvania Power & Light common.** This is the largest subsidiary of National Power & Light, in process of liquidation. A plan for "rearrangement of capital structure" was recently proposed, providing for the sale of additional common stock by Pennsylvania for about $18,000,000, which would be used to reduce outstanding preferred stock. A general refunding program, involving $125,720,000 funded debt and $44,000,000 preferred stock, is also proposed.

A pro forma income account for the 12 months ended June 30, 1945 (see page 27 of the Plan), indicates earnings for the new common stock of $1.10 a share. Based on an estimate that the new stock (with the improved set-up) might sell at between 14 and 15 times earnings, the "when issued" price might be in the neighborhood of 16. Holders of National Power & Light would be entitled to subscribe to the new stock at $10 per share, to the extent of a third of a share for each share of NL, making the estimated value of their rights about $2.

Rockland Gas Company recently came on the market at $26, on an offering of 30,500 shares (the entire amount) by General Water, Gas & Electric through a banking group headed by Butcher & Sherrerd. The company serves gas to a number of communities in Rockland County. Net income on a pro forma basis is $2.08 and the dividend $1.64, making the price earnings ratio 12.6 and the yield 6.33%. These figures are explained by the company's small size.

Western Light & Telephone common stock sells currently over-counter around 4, but in the pending merger-recapitalization plan holders will receive one share of new stock for each five shares now held. This will presumably make the price of the new stock about 20. On a pro forma basis, giving effect to the merger and refunding, share earnings on the new stock are estimated at about $2.20 a share, so that the old stock is currently selling at about 9 times earnings. While the dividend rate in the past has been low it is expected to be more liberal in future—possibly around $1.50 or more on the new stock.

Southwestern Public Service Company has recently separated certain isolated properties (the Jacksonville and Marlin-Mexia groups) which are being acquired by a new company, Southwestern Electric Service. Common stockholders of Public Service are being offered subscription rights for the new stock. New bonds and preferred stock are also being issued and underwritten. Pro forma earnings on the new common stock, according to the preliminary prospectus, might be in the neighborhood of $1 a share. The subscription price is $9.50 and the new issue is being traded over-the-counter around 10½.

Investment Outlook Factors

By JOHN KALB
Partner and Manager Investment Research Department, Adolph Lewisohn & Sons

Investment Analyst Asserts That "World Is Looking Ahead Towards Improvement, Expansion and Growth." Sees No Major Uncertainties Such as Existed in 1929 or in 1920, Since There Are "Cushions on the Downside to Prevent a Deflationary Spiral." Lists 12 Points of Difference Between Present and Periods Following Former Deflationary Periods.

Outlook for World Expansion

The central point which investment managers and their clients should not lose sight of, now nor during any reactionary period from here on, is that for **the first time in sixteen years,** the WORLD is looking ahead towards improvement, expansion and economic growth. And if what followed the Napoleonic, Civil and World War I is any criterion—and we think it is—then we are destined in the next ten years to see an unprecedented period of peace prosperity in this country and in many other parts of the globe.


John Kalb

The Cushions on the Downside

Early—a long time ago—in the Fall of 1943, we began to stress the factors which made us believe that we were not headed for a major long term vicious depression. In spite of the fact that we can now see a sharp drop in employment and business activity, we do not see the major uncertainties which existed in the 1929 collapse or even in the 1920 depression. We do not see potentialities of a vicious deflation where weakness in one segment of the economy produces weakness in another portion of the economy. While the shorter term speculator may desire and be able to capitalize on the readjustments necessary for the next few months, the existence of cushions on the downside to prevent a deflationary spiral is, we think, of major significance to the income-longer term investor.

We look for uncertainties, yes; but the cushioning background here is of an unprecedented nature. Some of the cushioning forces are:

1. The tax cushion and tax cut expectation. (Almost absent in 1920 and 1929).
2. Unemployment insurance. (Absent in 1920 and 1929).
3. Guaranty of bank deposits. (Absent in 1920 and 1929).
4. Strength of corporate finances. (Considerably improved because of better and more modern management).
5. Savings by individuals. (Unprecedented in amount).
6. Deferred demand for goods. (Unprecedented because of the more encompassing war effort this time).
7. Strength of financial institutions. (War debt being Government rather than private debt implies no institutional failures).
8. More social-minded business, government heads and Congress. (Implies much more spending than in 1920 or 1929, if necessary, towards stability in business, employment and increased work opportunities).
9. Little price inflation. (Price deflationary potentialities much less therefore than in 1920 or 1929).
10. Socialized speculation. (Little need to liquidate governmental debt, unlike private borrowings of 1920 and 1929).
11. No inventory accumulation. (So different from national and international conditions in commodities in 1920 and 1929).
12. Foreign trade very low. (So unlike 1920 and 1929).

We do not say that these factors guaranty no trouble; there must be major shifts from war to peacetime production and employment, and from a stock market point of view, a reaction is

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NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

Lt. Comdr. John L. Shea, Jr., three years in the Pacific, is now associated with his father, at Shea & Company.

Sgt. Carl Levine, after about five years in the service, a good part of it with the Air Force in Europe, is back at the old stand with R. H. Johnson & Co.

Sgt. Russ Potter, of Arthur W. Wood & Co., after several years with the American forces that brought the Germans to surrender, is back on the job. Of the two, he prefers civilian life emphatically.

Lewis McDowell, after a period of building the ships that sunk the Nips, is now associated with J. A. Warner & Co.

Col. Paul Sheeline, after several years with the American Air Force in Africa, Italy, and Germany, is back in Boston and expects his discharge before very long.

Bonner & Gregory to Admit Philip Gossler

Bonner & Gregory, 30 Pine Street, New York City, members of the New York and Chicago Stock Exchanges, will admit Philip Gossler, Jr., member of the New York Exchange, to partnership on Sept. 1. Mr. Gossler has been active as an individual floor broker and was a partner in Vietor, Common & Co.

Tomorrow's Markets Walter Whyte Says—

Ability of stocks to lift sharply from dangerous lows points to higher prices. Additional lift about 10 points not unlikely.

By WALTER WHYTE

Since the previous column was written the market managed to go up in sufficient strength, and on enough volume, to save itself from what, at times looked like imminent collapse. Even the rails, in which we took a loss, whipped around and shot up from their low points.

* * *

Incidentally taking a loss is never pleasant. But I discovered long ago that it is in taking losses that profits are made. Putting it another way: You buy three stocks. One goes down; the other two go up. The natural impulse is to sell the stocks which show a gain and protect the one with a loss. Frequently one is dismayed to see that the two is-

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New Head Chosen for Dies Committee

The new head which the House has elected for its committee on un-American activities, at one time known as the Dies Committee, is Representative John S. Wood (D.-Ga.). In reporting the name of the successor to Representative Edward J. Hart (D.-N. J.), who announced recently that he was resigning because of ill health, the Associated Press, in its statement from Washington commented on the fact that Representative Wood had served in the House from 1931 to 1935 and had then dropped out until last year.

He is said to have been recommended for the post by the Democratic members of the House Ways and Means Committee as a compromise after members could not agree on either Representative Henry M. Jackson, Democrat, of Washington, or Representative John S. Gibson, of Georgia. Representative Jackson had backing of Administration leaders, while the acting committee chairman, Representative John E. Rankin, Democrat, of Mississippi, was sponsoring Representative Gibson.

The Associated Press added:

Representative Wood, who is 60 years old and served in the World War as a flyer, immediately promised he would conduct the chairmanship, "fearlessly and fairly and with no attempt at whitewashing or witch hunting."

'Full Employment Bill' Ineffective

By NORMAN THOMAS*

Leader, Socialist Party of the United States

In a Letter to Senate Banking and Currency Committee, Mr. Thomas, in Protesting Refusal to Grant the Socialist Party a Hearing, Contends That the Senate "Full Employment Bill" Will Be Ineffective Since It Assumes That With a Little Government Aid "Private Capitalism Can Provide Full Employment." Urges "Democratic Socialization" of Banks, Natural Resources and Public Utilities, the Creation of a Full Employment Finance Authority to Lend Money and a 50% Increase in Wages.

Senator Wagner's telegram refusing time to the Socialist Party to be heard on the Murray Bill is an extraordinary illustration of a procedure which is most undemocratic and inefficient. For months Congress has had before it this bill and others dealing with problems of reconversion and unemployment. Neither it nor the Administration did anything about them—not until both branches of Government fell into a procedure panic because of a Socialistic victory in Britain and the sudden ending of the war. Then the word goes down that the Murray Bill must be passed, and Senator Wagner, as proved by his telegram to the Socialist Party, organizes a hand-picked hearing. So the ways are greased to put through a bill which cannot possibly accomplish its avowed purpose. Philip Murray, President of the CIO, trots out the familiar bogey man of socialism, which to him apparently means government operation of everything, to speed this bill as an alternative. But you give us no opportunity to explain what democratic socialists really want.

Norman Thomas

I am reminded of a legislative hearing in Albany back in 1926 when a limited dividend bill was jammed through as a solution of New York's housing problem, and I was denied time to offer a simple mathematical demonstration that the bill couldn't do the job. In the end the law was even more of a fiasco than I had expected. The same thing will be true of this legislation, unless it is drastically amended.

The Murray Bill has two good features. It recognizes that the provision of full employment is a social necessity for a healthy democracy and that it is a legitimate concern of government. It then sets up a job budget to provide a basis for constructive action.

Then the bill breaks down in an extravagant and unrealistic devotion to a miscalled system of free enterprise, better described as private capitalism. It is to be the Government's business to help owners, increasingly absentee owners, to get the profits of going enterprises while the taxpayers support, after some fashion, the victims of the failure of the system to furnish full production and full employment. The bill merely streamlines or gives more official recognition to the unsatisfactory system of subsidizing the unemployed which existed before the war boom. No one has submitted any logical reason to expect better results than we had before.

Gunnar Myrdal, the famous Swedish economist, after long study of American conditions, says that if we reach the relatively high level of 1940 peace-

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*Letter addressed by Mr. Thomas to the Senate Banking and Currency Committee, Aug. 27, 1945.

N. Y. Commerce and Industry Group Tops War Loan Quota

Achieving $2,267,352,219, or 148% of its $1,395,000,000 Seventh War Loan quota, the Commerce & Industry Division in Manhattan alone outsold the combined totals of 27 other States, it was revealed by Seton Porter, Chairman of the Commerce & Industry Division. "Our section chairman," Mr. Porter declared, "together with the hundreds of men working with them in the various industry groups, are volunteers, disregarded personal considerations to work night and day in achieving this triumph. These men have done a magnificent service to their country."

Mr. Porter, who is President of National Distillers, Inc., in his final report to William E. Cotter, Chairman of the New York County War Finance Committee, showed the final standing of the various sections as follows: Women's Apparel, $94,521,257; Men's Apparel, $34,797,285; Textiles, $146,215,835; Merchandising, $64,920,292; Commercial and Professional, $202,668,448; Food, $77,270,765; Advertising, $48,279,269; Industry, $1,206,979,379; Building, $24,811,818; Beverages, Wines and Spirits and Tobacco, $157,795,316; Stage, Screen and Radio Affiliates, $17,069,649; Miscellaneous Groups, $1,175,044.

Real Estate Securities

Bullish Rumor: It is rumored that because of the war's end the Maritime Commission will give up some of their space in 39 Broadway (Broadway Trinity Place Corporation 4½s, 1963). They presently occupy approximately 40% of the space in the building at a rental of about $1.50 per square foot. Comparable space in nearby buildings commands a rental of from $2.00 to $2.25 per square foot. Despite the large amount of space the Maritime Commission occupy with their low rental, in 1945 the building earned enough to pay 3% and operate a sinking fund for retirement of bonds. Any increase in rental for the space they may vacate will reflect to the benefit of the bondholders as they own the building 100%.

Bearish Rumor: It is rumored that a non-inflammable film is being perfected. If true, this may affect the value of the Film Center Building (Film Center Bldg. 4s 1949). This building has practically had a monopoly of space available for motion picture film distributors because of its fireproof vaults for storage of film. Elimination of these requirements will permit other buildings to compete for its tenants.

Bullish Rumor: We hear that the Sherry Netherland Hotel (Sherneth Corporation 3-5¾s 1956) will operate a sinking fund for retirement of its bonds sometime during September. Each bond is traded with ten shares of stock. However, when tendering to the sinking fund, stock is not required. Advantage can then be taken of the separate market of 2½ for the stock.

Bearish Rumor: About 70% of the Broadway Motors Building (Broadway Motors Building 4's 1948) income is derived from the General Motors Company whose lease expires in 1948. The lease was made in 1927 when rentals were much higher than at present. The General Motors Company should be in a good bargaining position to get a large reduction in rent at the expiration of their lease. Some people are of the opinion that they might move out altogether, possibly to a building erected for their exclusive occupancy in Radio City.

Bullish Rumor: Now that the war is over and the Government can concern itself with peacetime activities of the people, we hear that more attention may be paid to possible violations of the Sherman anti-trust law. One of the problems of the moving picture industry is the allocation of moving pictures to certain houses. Many theatres are owned or controlled by moving picture companies and are favored by first run picture of these companies. Other theatres which do not have these connections do not get these pictures until a much later period called "second" or "third run." Two real estate bond issues whose income depends partially on theatres are the Brooklyn Fox Corporation 3s 1957 and the Beacon Hotel 4s 1958. Earlier releases of moving pictures in their properties would materially help the income of the properties. Percentage leases are in effect in both properties.

Bearish Rumor: Leo F. Gentner, acting regional administrator of the Office of Price Administration, is said to have stated that rent controls will be kept at least until June 1946. He is quoted as saying that "the O.P.A. rent control will be just as tough as it ever has been and maybe a little tighter." Wages and operating costs of real estate are going up and a restriction of rent may cause lower net earnings in many properties for the next year.

Bullish Rumor: On September 1st of this year the $2,500,000 New York Title issue N-60 covering the property at 520 Eighth Avenue will be called at par. Certificates of this issue sold as low as 72% this year.

Dealer-Broker Investment Recommendations and Literature

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

"Adams Journal"—a four-page "newspaper" published by Adams & Co., 231 South La Salle Street, Chicago 4, Ill., containing news regarding companies in which the firm is interested and editorial comment on economic and business conditions. This new house organ is printed and written in newspaper style and Adams & Co. expects to publish the "Journal" once a month.

Railroads in the Reconversion Period—study of the outlook for the railroads—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

Railroad Tax Credit Potentials—study with tabulation of comparative figures—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Wall Street Commentator—a digest of current events in the financial markets of North America, with reviews and analyses of specific situations appearing to have exceptional investment and/or profit possibilities—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Illinois.

Amalgamated Sugar Company—analytical report — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, California.

Also available are analyses of **P. R. Mallory & Company, Inc., Richman Brothers Company,** and **Trane Company.**

American Forging & Socket Company—Analysis of current position and outlook — De Young, Larson & Tornga, Grand Rapids

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SEC Rule Permits Floor Trading On Sharply Restricted Basis

Issues New Rules as an Experiment, Which Are Adopted Immediately by N. Y. Stock Exchange, Though Called by Emil Schram "Extremely Drastic."

The Securities and Exchange Commission on Aug. 27, 1945 issued its decision on floor trading. Instead of abolishing altogether floor trading on the New York Stock Exchange and the New York Curb Exchange, as recommended last January by James A. Treanor, Jr., Director of the SEC Trading and Exchange Division, the Commission agreed to permit such trading to continue "experimentally" under new rules and regulations which "will minimize its undesirable features and yet preserve certain asserted benefits." At the hearings on the proposal for complete abolishment, the two leading exchanges had proposed to institute certain rules which, it was claimed, would eliminate the alleged objectionable features of floor trading, but which would allow such transactions to continue, it being strongly maintained that floor trading was essential for stock market stability. Although the new rules promulgated by the SEC are in line with these suggestions, Mr. Emil Schram, the President of the New York Stock Exchange, has characterized them as "extremely drastic," and though introduced on a trial basis, would, in his judgment "remove any conceiva-


J. A. Treanor, Jr.


Emil Schram

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Air Transport and Free Enterprise

By STUART G. TIPTON*

Acting President, Air Transport Association of America

Mr. Tipton, Taking Issue With Donald Conn, of Transportation Association of America, Contends That Competition of the Different Transportation Agencies Is Essential to Avoid Monopoly and Promote Improvements and Progress. Predicts Lower Rates and More Conveniences in Air Travel and Denies That Competition With Rail and Steamship Lines Will Result in Government Ownership. Holds Air Transport Will Bring Additional Trade and More Traffic to Both Rail and Steamships and Promote Free Enterprise.

A speaker appeared before you a few weeks ago urging what we regard as a most extraordinary proposition. He was Donald Conn, the very able Executive Vice-President of the Transportation Association of America. [See "The Chronicle" Aug. 9, p. 618.] His discussion before this group was part of a campaign that the Transportation Association has been carrying on for years in their efforts to convince business leaders that what this country needs is an integrated transportation system.


S. G. Tipton

Eight years ago the Senate Interstate Commerce Committee found that the Transportation Association was a "front" for the railroads, organized by them to carry forward policies that the railroads did not desire to espouse openly. Whether or not this is still true, I do not know, and I can see no reason why that question should be debated here.

For the purpose of this discussion we shall assume that the Transportation Association is precisely what it purports to be and shall discuss only the merits of the integrated transportation systems that this group has so earnestly advocated.

Competition in Transportation

Bluntly, the proposition put forward by that association is that we eliminate competition from the transportation field, particularly between the major forms of transportation: railroads, airlines, busses, trucks, waterways, pipe lines.

In its stead, there would be set up an "integrated" system by which the airplane, the steamship, and the rail coach would contentedly graze in the same pasture, their security guaranteed, with not a worry in the world. No gray hairs would come to transportation executives, no high

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*An address by Mr. Tipton before the Aviation Section of the New York Board of Trade, New York City, Aug. 24, 1945.

The Truman Policies

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for making the machinery work insofar as it lies within the power of America to do so.

To Scrutinize World Charter

It is now an obligation of the Republicans to scrutinize every act of the Administration taken pursuant to the United Nations Charter. If those acts are imprudent we shall call that to the attention of the American people. If necessity arises we shall make constructive suggestions for carrying out American policy under the Charter. But, above all, we shall do our utmost to see to it that American activities under the United Nations Charter are compatible with the purposes for which the American people fought this war.

Many Americans look with deep misgiving at the world today. We see a large section of Europe shrouded in ominous mystery. We see whole nations in which American Government officials, despite the advent of peace, are restrained in their activities, and where the American press and radio have not yet been permitted to send representatives and report freely. These are areas where millions of Americans had their origin, and where they are vitally interested for the well-being of their parents and relatives. In spite of promises made in the Potsdam declarations there appear to be no substantial improvements realized in these important matters. Does the Administration intend to press for improvement and for the realization of these American hopes in the United Nations organization when the Assembly and Security Council convene? We trust that the Administration will soon give some assurances in these matters to the American people.

Problems in Europe

We Republicans are concerned as well for the political future of these areas abroad. Shall we see the realization of *our* understanding of free elections and the expressed will of the peoples? Or shall something quite different, but under the same names, be carried out?

As we view the mass deportations of people and large transfers of territory being made, evidently with the acquiescence of the Administration, we remember that similar acts in history resulted in the sowing of seeds of rancor. Particularly have we felt that where a people have maintained their culture in an area for centuries, the uprooting of these peoples and their culture has left hatred and the urge to revenge in its wake.

Foreign Loans

We wonder about the scope and import of our manpower and fiscal commitments abroad. Are those commitments such that our boys are to be drafted to police foreign countries and, if so, how many of them? As near as can be figured from the very indefinite information given us, without including any lend lease sums, and without counting costs of our armies of occupation, the fiscal commitments abroad of the United States Government already are in the neighborhood of 10 billions of dollars. Of this amount 3⅓ billions are to be channeled through the Export-Import Bank, another 3 billions or more through the newly-created International Bank, still another 2¾ billions through the International Monetary Fund and at least 1⅓ billions through the United Nations Relief and Rehabilitation Authority. These commitments total over 10 billions—not millions—of dollars.

How can any intelligent tax reduction program be framed without more information on this score? We would like to know how these fragments of lending fit into a general picture. We should like to be reassured that the Administration is accepting these colossal obligations as part of a matured plan, and not as a day by day improvisation of our economic-fiscal relationships with the rest of the world.

These questions are not asked in any quarrelsome attitude, or with any destructive intent. They are basic to the future welfare of our country. Any opposition or minority party which did not demand the answers to them would be failing its duty to the American electorate. Of course we are told that some of the answers to these questions are necessarily delayed by the changes of personnel being made in some governmental departments and the systematic dismissal of appointees of the late President F. D. Roosevelt which seemingly is being carried on. Nevertheless the answers must be forthcoming soon if reconversion is to be accomplished with a minimum of human suffering and economic dislocation.

The Pacific Area

Still other questions in the international field remain to be answered. What will happen in the Pacific area? More than for any area in Europe our nation is pledged to the territorial integrity of China. Our Government spokesmen for the past 15 years have been particularly insistent that the Province of Manchuria is Chinese and must so remain. Shall we find that as a result of this war China's sovereignty over this area has been impaired or destroyed?

The Big Three have met by twos and threes repeatedly at Quebec, at Cairo, at Teheran, at Yalta and at Potsdam. The Administration leadership has told us only what they chose about their decisions, and some of the telling has been belated. And yet these decisions are almost irrevocable. Make no mistake about it, however much these rulings may seem to be subject on paper to decisions by a future peace conference, all the influence of our powerful nation cannot undo them after our President has acquiesced. All that a peace conference can do in respect to Germany will be to write down what has already been decided, except in minor details. They told us at Potsdam and Teheran and Quebec and Yalta various questions were raised and various agreements reached. What were the questions which remain unanswered? What were the problems upon which no agreement was found? You have not been told and neither has your Congress. We have not yet been told the terms of the Italian armistice concluded in the autumn of 1943. The Senate of the United States has not passed upon these decisions, the people of the United States have not been given an opportunity to voice their views. Some day, when the time is ripe, the people of this country will hold the Administration to strict accountability.

Such are some of the thoughts in the hearts of thinking Americans. We hold that this war was fought to defend our nation, and to bring about, so far as in us lies, freedom for the individual and free development of governmental processes abroad which are consistent with the principles upon which our Republic is based. Therefore, we are bound to see to it that the Administration never loses sight of the purposes for which our boys were fighting. We shall urge incessantly and insistently that the great influence of this country be brought to bear for the achievement of these American ideals.

Conflicting Domestic Views

In the domestic field we find there is a fundamental conflict between many of the basic views of the Administration in power and the views of Republicans. The nature of these differences and the reasons for them constitute a field for essential study by the American people. Every major bill in Congress must be measured against their background.

Both parties appear to agree that a most pressing national need is to get industry into full peacetime production without unnecessary delay and anxiety or idleness for the unemployed. The Republican Party believes that the best way to get the greatest employment opportunity for all of our citizens is by encouraging full production under a system of creative private enterprise. We believe that if Government economic and fiscal policies are sound, private enterprise can furnish the jobs to assure a period of unparalleled prosperity. Accordingly, our obligation as the opposition party is to examine the Administration's domestic proposals to see if they interfere with the coming of that prosperity.

Full Employment Bill

The Administration has already indicated that Congress "must" pass the so-called Murray Full Employment Bill. The obligation of the Republican Party will be to consider whether this bill hinders, instead of aids, employment under a system of private enterprise. Let us see what the New York "Times" says editorially about this bill—and I quote:

"When we look at the Murray Bill, however, we find that in spite of the disclaimers written into it, it rests essentially upon a basic distrust of private enterprise. It rests essentially on the assumption that private enterprise, left to its own devices, cannot provide sufficient employment. It rests essentially also, again in spite of its disavowals, on the assumption that whenever there is unemployment the basic cause is an insufficiency of private spending, and that the basic cure is a huge program of Government spending to make up the difference.

"Thus," continued the editorial from the New York "Times," "in spite of the fact that, through the terrible necessities of war, we have been running a deficit in the neighborhood of 50 billion dollars a year, in spite of the fact that we have accumulated an unparalleled national debt of 262 billion dollars, in spite of the fact that billions of dollars of purchasing power are still unused in the hands of the public, in spite of the fact that official agencies still insist on holding down prices on the ground that existing purchasing power would bring about inflation, the Administration is preparing to try to rush through Congress a bill 'to give employment' by methods that would intensify inflation."

Safeguard to Dollar

Of what use will it be to talk of full employment, of jobs, if the dollars to be paid for groceries and rent shall not be *sound*? Up to July 9 Government savings bonds, we are told, had been sold to 85 million persons. We want those bonds repaid in *sound* dollars. The Republicans, therefore, shall insist upon a Government fiscal policy which will *make* for *sound* dollars and Republicans will oppose the policy of continued peacetime deficit spending.

There is a fundamental conflict between Republicans, who really believe in making our system of private enterprise work, and those in the opposite political camp who only *say* they do, while they continue to vote for measures which will lead to some form of Government control and manipulation of our whole economic structure, already the pattern in much of the world.

A nation cannot engage in two devastating wars within a brief period, depleting its resources and incurring hundreds of billions of dollars in debts, without serious consequences. The American people know that the preservation of our institutions and the welfare of our country, of our citizens, of our returning soldiers and sailors, of our children, our entire future, challenge our political leaders to give the highest type of leadership—not to one bloc or pressure group, but to the entire nation. The Republican Party has accepted that challenge, and with the support of all right-thinking American citizens, our nation shall live through to a glorious future.

The Federal Corporation Is Formed in New York

The Federal Corporation has been formed with offices at 30 Broad Street to engage in a securities business. Officers are Frank W. Bennett, President; Edwin G. Ringrose, Vice-President and Treasurer, and Frances E. Dreyer, Secretary. Mr. Ringrose is proprietor of E. G. Ringrose Co.

SEC Rule Permits Floor Trading On Sharply Restricted Basis

(Continued from page 936)

ble advantage which the floor trader may be presumed to have over public customers of our member firms." Acting immediately on the SEC decision the Board of Governors of the New York Stock Exchange has issued to members the recommended changes in the trading rules. These rules are printed in detail below.

Commission "Not Convinced"

In announcing its decision not to prohibit floor trading during an experimental period under new regulations, the SEC stated:

"We have reviewed the information available to us . . . including the discussions subsequent to the conference of May 16, and are satisfied that floor trading as now conducted gives an undue advantage to floor traders over the public; that frequently it accelerates market movements and accentuates fluctuations in particular securities or groups of securities; and that more often than not it detracts from the stability of the market. We are convinced that it is essential to make effective as soon as practicable regulation that will minimize or eliminate those influences of floor trading which impair the stability of the market.

"The New York Stock Exchange has urged us, in lieu of abolishing floor trading at this time, to afford it the opportunity to apply certain regulations which it believes will minimize the undesirable features of floor trading, yet preserve certain asserted benefits. The New York Curb Exchange has expressed its desire to put similar rules into effect.

"The proposed rules would generally require floor traders who have acquired a position by purchasing stock on a price rise or selling on a decline to hold that position until the beginning of the second succeeding trading day; they would prohibit members on the floor from availing themselves of the privilege of 'stopping' stock unless the stock is 'stopped' against the order of another member; and they would terminate the existing privilege of members on the floor, while acquiring a position in a security, of claiming priority over a public order at the same price either by the toss of a coin or by reason of the greater size of his order.

"We are not convinced that it is impossible to devise measures more effective than these to minimize the undesirable effects of floor trading and permit the realization of whatever contribution it might make to market stability. Nevertheless, we believe that a prohibition of the kind proposed by our staff should not be imposed until the Exchanges, which now have recognized that floor trading gives rise to problems that require regulation more drastic than any heretofore attempted, are given a reasonable opportunity to demonstrate whether it is feasible for them to eliminate the abuses that have been associated with floor trading in the past. We propose to give them that opportunity.

"Accordingly, we shall withhold action at this time on our staff's proposal and shall permit the Exchanges to put into effect experimentally the rules which they have suggested. We shall continue to study the operation of floor trading during the trial period in which these rules are in effect. The Exchanges have undertaken to do the same. We shall review the operation of these rules with the Exchanges at frequent intervals and will recommend any changes in the rules which our studies indicate to be necessary for effective regulation. We shall also consider any modifications the Exchanges may recommend as likely to improve the effectiveness of their regulation. If at any time it becomes evident to us that the Exchanges' rules, either in the form now proposed, or as they may be modified, are inadequate for the effective regulation of floor trading, we shall reconsider the recommendations of our staff, or any appropriate modification of those recommendations, and take such action as, in our opinion, will provide an adequate solution of the problems created by floor trading."

Mr. Schram's statement regarding the new regulations issued on Aug. 28 stated:

"Pursuant to an understanding with the Securities and Exchange Commission, the Board of Governors of the New York Stock Exchange at a special meeting today, ordered that additional rules relating to trading by members for their own account on the floor of the Exchange be put into effect at the opening of business on Wednesday, Aug. 29.

"The rules now promulgated are extremely drastic. They are being introduced on a trial basis in order that the Exchange and the Commission may appraise their effectiveness in actual operation and under varying market conditions.

"The additional restrictions with which floor trading will now be surrounded will remove, in my judgment, any conceivable advantage which the floor trader may be presumed to have over public customers of our member firms. As a matter of fact, I believe that the floor trader, on the whole, will be at a definite disadvantage; but only an adequate test will determine the net effects.

"The Commission and the Exchange, acting in a cooperative spirit, have agreed upon what I consider to be a pratcical approach to the solution of any problems which the floor trader function may present. The Exchange's sole objective is to preserve the benefits to the investing public of floor trading, in terms of continuity and liquidity in our market."

The Secretary's Office of the New York Stock Exchange, in a circular (C-7256) dated Aug. 27, notified its members of the new regulations as follows:

To the Members of the Exchange:

The Board of Governors at a meeting on Aug. 27, 1945, determined that the following Rules which it has adopted regarding Floor Trading are to become effective on Wednesday, Aug. 29, 1945:

Rule 372. (a) No bid or offer made by a member or made on an order for stock originated by a member while on the Floor to establish or increase a position in such stock for an account in which such member has an interest shall be entitled to parity with a bid or offer made on an order originated off the Floor.

(b) No bid or offer made by a member or made on an order for stock originated by a member while on the Floor to establish or increase a position in such stock for an account in which such member has an interest shall be entitled to precedence based on size over a bid or offer made on an order originated off the Floor.

(c) The provisions of paragraphs (a) and (b) shall not apply to bids or offers made:

(1) by an odd-lot dealer in a stock in which he is registered as an odd-lot dealer;

(2) to offset a transaction made in error;

(3) for bona fide arbitrage;

(4) pursuant to a limit order given to the specialist in that stock.

Rule 373. (a) The privilege of "stopping" stock shall not be accepted by a member for an account in which such member or another member has an interest.

(b) The provisions of paragraph (a) shall not apply with respect to:

(1) an order originated off the Floor;

(2) an odd-lot dealer in a stock in which he is registered as an odd-lot dealer;

(3) a transaction made to offset a transaction made in error;

(4) a bona fide arbitrage;

(5) a "stop" from another member acting for an account in which such other member has an interest.

Rule 374. (a) No member who while on the Floor of the Exchange initiates for any account in which he has an interest a purchase or purchases of stock at:

(1) a price higher than the last sale, i.e., a "plus tick", or

(2) the same price as the last sale if such price is above the next preceding different price, i.e., a "zero plus tick",

shall sell, except at a loss, any of such stock in any account in which he has an interest until the second succeeding trading day.

The provisions of this paragraph shall also apply to stock which was purchased on a "minus" or "zero minus tick" where such purchase is followed on the same day by a purchase of such stock on a "plus" or "zero plus tick."

(b) No member who while on the Floor of the Exchange initiates for any account in which he has an interest a sale or sales of "long" stock at:

(1) a price lower than the last sale, i.e., a "minus tick", or

(2) the same price as the last sale if such price is below the next preceding different price, i.e., a "zero minus tick",

shall buy any of such stock for any account in which he has an interest until the second succeeding trading day.

The provisions of this paragraph shall also apply to stock which was sold on a "plus" or "zero plus tick" where such sale is followed on the same day by a sale on a "minus" or "zero minus tick".

(c) The provisions of paragraphs (a) and (b) shall not apply to transactions made:

(1) by a specialist in a stock in which he is registered as a specialist to maintain a fair and orderly market in accordance with Rule 365;

(2) by an odd-lot dealer in a stock in which he is registered as an odd-lot dealer;

(3) to effect or facilitate a distribution of securities, if such transaction is made pursuant to Regulation X-9A6-1 or if such transaction and such distribution are made pursuant to the approval of the Exchange;

(4) to cover a "short" position;

(5) to offset a transaction made in error;

(6) for bona fide arbitrage;

(7) with the prior approval of a floor official to permit the member to contribute under unusual circumstances to the maintenance of a fair and orderly market.

EXPLANATORY MATERIAL

Information Regarding Rule 374—Floor Trading

A Floor Trader who is "long" stock and then purchases additional shares of that stock on a "plus" or a "zero plus tick" cannot sell any of that issue until the second succeeding trading day.

A Floor Trader who purchases stock on a "minus tick" and then purchases stock on a "plus" or "zero plus tick" cannot sell any of that issue until the second succeeding trading day.

A Floor Trader who purchases stock on a "plus" or "zero plus tick" and then purchases stock on a "minus" or "zero minus tick" can sell only the stock he purchased at the "minus" or "zero minus tick" before the second succeeding day.

A Floor Trader who sells "long" stock on a "minus" or "zero minus tick" cannot repurchase any of that issue until the second succeeding trading day.

A Floor Trader who sells "long" stock on a "plus" or "zero plus tick" and then sells more "long" stock on a "minus" or "zero minus tick" cannot repurchase any of that stock until the second succeeding trading day.

A Floor Trader who sells "long" stock on a "minus" or "zero minus tick" and then sells more "long" stock on a "plus" or "zero plus tick" can repurchase only to the extent of his sales at the "plus" or "zero plus tick" before the second succeeding trading day.

These changes will be provided for in revised pages of the Directory and Guide and included in Supplement No. 334.

Inquiries in regard to this circular should be made of the Department of Floor Procedure, HAnover 2-4200, Extensions 202 and 204.

JOHN C. KORN,
Acting Secretary.

Three New Members of Chicago Stock Exch.

CHICAGO, ILL.—Meyer Field of Chicago, Arthur S. Grossman, partner of Straus & Blosser of Chicago; Robert S. Karger, partner of Rothschild & Co. of Chicago, and Hugh D. MacBain, Vice-President of Mellon Securities Corporation of Pittsburgh, Pa., were elected to membership in the Chicago Stock Exchange by the Board of Governors, it was announced today.

With the election of Mr. MacBain to membership, Mellon Securities Corporation becomes the twenty-eighth member corporation of the Exchange.

J. J. O'Connor & Co. Forming in Chicago

CHICAGO, ILL.—J. J. O'Connor & Co. is being formed with offices at 135 South La Salle Street to engage in a securities business.

Alwood Company Formed

CHICAGO, ILL.—Herbert Vivian Woodson and Alice M. Woodson have formed Alwood Company, with offices at 6716 Blackstone Avenue, to engage in a securities business.

Lehman Bros. to Admit Bunker as Partner

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, has announced that it proposes to admit Arthur H. Bunker as a general partner of the firm as of Sept. 1.

Arthur H. Bunker

Mr. Bunker, formerly Chief of Staff of the War Production Board in Washington, served for four years in that organization and its predecessors. He was successively Chief of the Aluminum and Magnesium Division, Vice-Chairman of Metals and Minerals, Deputy Executive Vice-Chairman and finally Chief of Staff of the War Production Board, before leaving Government service last December.

Mr. Bunker is the son of the late George R. Bunker, founder and President of the National Sugar Refining Company. He graduated from Yale University, Sheffield Scientific School in 1916, and served as a naval officer in the first world war. Subsequently he became President of the Radium Company of Colorado. He founded and was President of the United States Vanadium Company, which was later acquired by the Union Carbide & Carbon Corporation. Mr. Bunker was prominently identified with the financing and development of the Potash Company of America, the largest producer of potash in the world.

In 1929 Mr. Bunker joined the Lehman Corporation as Vice-President and Director, and continued in that association until he went to Washington in 1941 to take charge of the Aluminum & Magnesium program of the War Production Board.

He is a director of a number of industrial corporations.

Gordon Meeks & Co. Add McDonnell and Reddoch

MEMPHIS, TENN.—Gordon Meeks & Company, First National Bank Building, announce that C. Lewis McDonnell and James N. Reddoch have become associated with them.

Investment Outlook Factors

(Continued from page 934)

definitely in order, considering the gains of the past three years. We do say, however, that the cushions imply no spiral on the downside, in that they remove fear of uncertainties. This we think will be a major sustaining influence for many investment type securities.

The Short Term

There is no question but that we face temporary difficulties. It is possible (and we hope probable) that the averages will come down 20 or 25 points from the highs of last June before we are ready to aim at higher levels. Even if such a readjustment occurs, the cushions outlined above, particularly the large deferred demand, justify investors taking a selective investment approach at present, i. e., revising portfolios, purchasing some securities now, deferring purchase of others, and switching from some.

We have for some time suggested cautious investment programs. We have in our individual company reports and introductions, preferred over the past year and a half to suggest commitments in high yielding, senior securities or defensive type of common stocks. We have become almost tired of suggesting the same type of defensive switches and, in some cases, "fell for" some more glamorous yield in a junior rail or two.

"Observations" is continuing this policy and will, from a short term point of view, suggest a somewhat defensive policy. For purely defense (income and some appreciation) purposes, we will recommend the following issues which are largely the switch suggestions made during the past six to nine months:

American Gas & Electric
American Water Works (a new addition)
Chase National Bank
General American Transportation Corp.
McKesson & Robbins, Inc.
Parke, Davis & Co.
duPont de Nemours (E. I.) & Co.
North American Co.
National City Bank
American Steel Foundries
Lorillard (P.) Co.
National Lead Co.
Burroughs Adding Machine Co.
Hercules Powder Co.

Classification of Industries

For the benefit of those who may now be in the process of formulating new investment stock programs, we would make the following industrial classification:

FACTORS OF EMPHASIS BEHIND RECOMMENDATION

Industry—	Secular Growth	Cylical	Deferred Demand	Defensive	Large Tax Change Beneficiary
1. BUY HERE					
Chemicals	+	--	--	--	+
Food	+	--	--	+	+
Banks	--	--	--	+	+
Tobaccos	--	--	--	+	+
Canning	--	--	+	--	+
Utilities	--	--	--	+	+
Wallboard	--	+	--	--	--
Chewing Gum	--	--	--	+	+
Shoe Mfg.	--	--	+	--	+
Credit Cos.	--	+	+	--	+
Office Equipment	--	+	+	--	--
Advertising	+	--	+	--	--
Publishing	+	--	+	--	+
Sporting Goods	+	--	--	--	--
Sugars	--	--	+	--	--
Musical Instruments	+	--	--	--	--
Printing Ink	+	--	+	--	--
2. BUY IN MODERATE FURTHER REACTION					
Rubbers	--	--	+	--	--
Brass	--	--	+	--	--
Steels	--	--	+	--	+
Machinery	--	--	+	--	--
Beverage	+	--	--	--	+
Mail Order	--	--	+	--	+
Drugs	+	--	--	--	+
3. DEFER PURCHASE FOR SOME MONTHS					
Agricultural Equipment	--	--	+	--	--
Air Transport	+	--	--	--	--
Auto Mfg.	--	--	+	--	--
Electrical Equipment	--	--	+	--	+
Movies	+	--	--	--	--
Oils	--	+	--	--	--
Railroad Equipment	--	+	+	--	+

Note—We like some of the above groups but have placed them, particularly autos, agricultural and electrical equipment and air transport, in this Deferred Purchase Division because they have, we feel, on a price basis temporarily overdiscounted their prospects. In the case of movies and oils, we want to see what happens in their individual positions.

A. G. Becker & Co. Offers Ashland Oil Debentures

An underwriting group headed by A. G. Becker & Co., Inc., is offering today (Aug. 30) at par, $5,000,000 Ashland Oil & Refining Co. 20-year 3% sinking fund debentures, due 1965, the proceeds of which will be used to retire a $3,750,000 note held by an insurance company, and to increase working capital. The company's business has been expanding and it is engaged in a program of adding to its crude oil reserves.

Ashland Oil is one of the principal figures in the petroleum industry in the Ohio Valley, with producing wells in Eastern Kentucky and in the Illinois Basin comprising parts of Illinois, Indiana and Western Kentucky. The principal refining plant is at Catlettsburg, Ky. A large refinery was built for Defense Plants Corporation last year adjacent to that of the company, and has been operated under lease by Ashland for the manufacture of high octane aviation gasoline. With the end of the war and termination of this operation, Ashland is now negotiating with the RFC for purchase or long-term lease of such of the facilities as are suitable for producing commercial grades of gasoline.

Monongahela Power Co. Securities Publicly Offered

A banking group headed by W. C. Langley & Co. and The First Boston Corp. on Aug. 24 offered $22,000,000 first mortgage bonds, 3% series due 1975 and 90,000 shares of 4.40% cumulative preferred stock (par $100), of Monongahela Power Co. The bonds were priced at 102½%, and accrued interest and the stock was priced at $103.50 a share and accrued dividend. The proceeds of the securities together with $4,000,000 secured through bank loans, will be used to refund existing bonds, debentures and 7% cumulative preferred stock.

Canadian Securities

By BRUCE WILLIAMS

The curtain falls in an abrupt fashion, utterly devoid of ceremony and applause, on what has been eloquently described as the most generous act in the history of this country. It is futile to delve too deeply into its spiritual aspects beyond paying tribute to the tremendous constructive role played by Lend-Lease at one of the most critical stages in world history.

How Britain will bridge the gap is open to speculation. Her outstanding foreign indebtedness is already too burdensome for any hope of settlement on an orthodox basis. The only practical course is by means of increased exports. But British industry can not be reconverted overnight from a war to a peacetime basis. And the internal commitments of Britain's new Labor Government further obscure the outlook for expansion of her foreign markets.

However, dispassionate analysis reveals that this country cannot afford indefinitely to dissipate its natural resources on the scale necessitated by the exigencies of war. The termination of Lend-Lease can have salutary results. The British people, at their best with their backs against the wall, will now look aggressively for a way out of their economic ills. The path towards a solution moreover lies within the bounds of the British Commonwealth and Empire, and the brightest jewel in the British Crown is the Dominion of Canada.

A new outlook on the possibilities of closer economic collaboration within the Commonwealth is now likely to develop. The old order has changed. Today Canada is in a position to take her place as an equal partner with the Mother Country.

The British Isles with a population too great to be maintained on the domestic resources has an obvious outlet in Canada, whose vast empty spaces, tremendous material resources and unique geographical position, only require the manpower and skills which are redundant in Britain, in order to create within the Dominion a first rate industrial power. Such development would be not only beneficial to the British and Canadian peoples but should strengthen the economic fabric of world trade.

Turning to the market for the past week, as far as activity was concerned, the period could almost be written off. Turnover was negligible in high grades with little price movement. The reaction in Albertas continued with prices levelling out at about 3 points below their recent highs. Internal bonds were inactive and free funds were on the weak side at 9⅝%, although routine demand was on a slightly larger scale.

Internal stocks previously favorably mentioned, notably C. P. R. and Consolidated Smelters were in good edmand, and their peace-time prospects in no way impair their attractiveness for investment. Yellowknife golds also staged a recovery and there is little doubt that this new Far North Canadian mining district has come to stay.

With regard to future prospects, the end of the holiday period should see a revival of investment demand especially as the details of the new Victory Loan completely remove all doubts as to the continuance of the war-time pattern of low interest rates. Canadian securities which make favorable comparison with domestic issues should participate fully in any resumption of activity. It must be remembered, however, in respect to internal bonds, that there should now be more frequently recurring opportunities for the purchase of cheap exchange.

Jet Helicopter Corp. Stock on Market

An issue of 35,000 shares of capital stock (par $1) of the Jet Helicopter Corp. is being offered at $2.50 per share by E. M. North Co., 42 Broadway, New York. The shares are offered as a speculation. The corporation was incorporated in Delaware July 11, 1945 for the purpose of developing and subsequently manufacturing helicopters designed by Stefan Czarnecki and Witold Brzozowski. Mr. Czarnecki is a graduate of Institut Superieur Technique et Colonial de Liege, Belgium.

James M. Toolan & Co. To Open in New York

James M. Toolan & Co. is being formed with offices at 67 Wall Street, New York City, to engage in a securities business. Partners are James M. Toolan and Harold B. Platt. Mr. Toolan was formerly a partner in F. T. Sutton & Co. with which Harold B. Platt was also associated.

Canada's Transition Less Severe Than United States or Britain

The impact on Canada's national economy of the transition from wartime to peacetime production promises to be less severe than it will be in either the United States or Britain, in the view of the Bank of Montreal as expressed in its business summary released for publication Aug. 23. The bank observes that on V-J day, war production had already been curtailed to about 60% of the 1944 peak. It is added that the 900,000 workers formerly engaged in war production had then been scaled down to 650,000 and have since been further reduced to below 230,000. The supply of workers is today estimated to be at least 100,000 short of the demand for current needs only, without taking account of an extensive controlled backlog of industrial and public construction and development.

The Bank reveals that the Dominion Government, recognizing the importance of uranium ores in the development of atomic energy, is now arranging for the organization of 20 prospecting parties to search for fresh uranium deposits in the Great Bear Lake area in which the original source was found.

Business Man's Bookshelf

Cartels, a Phase of Business "Haute Politique"—Theodore J. Kreps, Stanford University—Reprinted from American Economic Review Proceedings—paper.

Report on Problems and Attitudes of Small Business Executives—compiled by the National Conference of State University Schools of Business—paper

OUR REPORTER'S REPORT

This, the closing week of the summer season, proved comparatively quiet in the new issue market as had been expected. Only one major undertaking, that of Great Northern Railway, was on the calendar bringing out bids by two banking groups which have been increasingly aggressive rivals since the advent of competitive bidding.

But September promises to bring a new rush of large corporate refinancing operations judging by the backlog already on hand for the account of a number of prominent public utilities and railroads.

The total in actual prospect for next month already exceeds the 600 million dollar mark exclusive of potential business which has long been in sight but which is held in abeyance for one reason or another.

At least one large stock offering is in the list for September, namely the block of 700,000 shares of Pacific Gas & Electric Co. common which the North American Co., parent firm, plans to reoffer.

This operation was attempted several months ago but ran afoul of the Securities And Exchange Commission which ruled that competition was not present when the company received only a single bid entered by a country-wide syndicate of 144 banking firms.

Vastly swelling next month's prospective total are two more Bell Telephone system undertakings, one by American Telephone & Telegraph for $160,000,000 and the other by Southwestern Bell, involving $75,000,000. Both are to be debentures and carry a 2¾% coupon.

Great Northern

The sale of Great Northern Railway's $75,000,000 of new general mortgage bonds in two equal series N and O, on Tuesday, brought bids from two banking groups.

A syndicate headed by Halsey, Stuart & Co., Inc., made the successful tender a "basket bid" of 98.5679 for the two series to carry a 3⅛% coupon.

Morgan Stanley & Co. bid 99.10 for the Series N bonds, as 3¼s, and 98.50 for the Series O portion, as 3¼s. The winning group proceeded to reoffer the bonds putting a price of 100 on Series N and 99.35 on Series O portions of the issue. Public offering was made subject to formal award by the company and approval of price and spread by the SEC.

American Telephone & Telegraph

Announcement of the filing of $160,000,000 of new 2¾% debentures by American Telephone & Telegraph Co. was quite in line with forecasts. The big company is known to be anxious to realign its outstanding debt in order to pave the way for such new money financing as its peacetime construction plans may require.

The new 30-year debentures will provide the company with funds for the retirement, on Dec. 1 next of an equal amount of outstanding 3¼s.

Southwestern Bell Telephone's plans have progressed to the point where the company expects to be able to call for bids on its projected $75,000,000 offering for opening on Oct. 8 next.

The Street will await with more than ordinary interest the outcome of bidding for A. T. & T.'s big offering, recalling that on the occasion of the sale of its $175,000,000 of 2¾s, a little over a month ago, the treasurer expressed the company's disappointment at not having received a bid of par or better for the debentures.

Two Other Rail Issues

Two other large railroad loans are on the list, namely Southern Pacific's huge $150,000,000 operation which involves public offering of $125,000,000 of new bonds, and Northern Pacific's $55,000,000 of collatreal trust bonds.

Southern Pacific, early this week, asked for bids to be opened Sept. 11 on its new loan which will be sold in four series. The Series A is for $25,000,000 due in 1961; Series B, due in 1986 and Series C. due 1996, will be for $50,000,000 each in addition to which $25,000,000 of Series D will be sold to Southern Pacific Co., to take up bonds in its treasury.

The four series to be sold to bankers will be up for competitive bids and bankers may seek either one or all of the series. They will be called upon to fix not only the price but also the interest rate, with the company stating that no tender below 98 will be considered.

North American Co.

When North American Company sought bids for a block of 700,000 shares of Pacific Gas & Electric common several months ago, the market price was around 37 and it looked, for a time, as though two groups would be in the field.

But the tremendous size of the undertaking brought a merging of banking forces in an effort to provide a better market. At that time the bid was around the market price at the closing on the day it was entered, but it was outlawed by the SEC as not conforming to the requirements of its Rule U-50.

Well, currently the stock is selling around 40 or a fraction better. It will be interesting to see the outcome of the new attempt on the part of the big utility company toward getting its interest in the Coast utility down below controlling proportions.

Just now it looks as though two banking groups will compete for the stock, one headed by Dillon, Reed & Co., in the East, and the other by Blyth & Co., who headed the single syndicate on the previous occasion.

London Comment

(Continued from first page)

Commerce for the purpose of such cooperation.

Mr. Aldrich called attention to the discussion on page 120 of the report submitted to the President by the San Francisco Conference as to the place of non-government organizations in the work of the Economic and Social Council. Moreover the Economic and Social Council, Mr. Aldrich pointed out, puts economics—i.e., business—on a plane of equality equal to that of political and military matters. Under the League of Nations, on the other hand, the old International Chamber of Commerce had to work on a subordinate level of importance. The new system constitutes government sanction of direct contacts between organizations of national businessmen and an international official body, the Economic and Social Council.

In reply to a question, Philip D. Reed of the American delegation explained that the American National Committee of the International Chamber is fully representative of American business interests, since it includes such organizations as the Chamber of Commerce of the United States, the National Association of Manufacturers, the National Foreign Trade Council, the Committee for Economic Development and the American Bankers Association.

How Russian "business" will be recognized in the new program is not yet clear.

Our Concern With the Sterling Problem

A British reporter expressed doubt that the resolutions of the Council of the International Chamber showed sufficient awareness of the realities facing the United Kingdom. Mr. Aldrich and Arthur R. Guinness, the Chairman of the British National Committee of the International Chamber, both emphasized the attention which has been given in America to the problem of helping Britain financially during this transition period. Mr. Aldrich cited his own Chicago speech of several weeks ago, in which he recommended a grant to the British; while Mr. Guinness called attention to the Bretton Woods Congressional testimony of W. Randolph Burgess of the American Bankers Association, John H. Williams, speaking for the Federal Reserve Bank of New York; the late Leon Fraser, and others. All of these think something in the way of a generous loan or gift must be made available to Great Britain by America.

The British reporter mentioned above, felt sure the bankers and businessmen of America are unaware of the British sterling problem but asked: What about American political opinion? "That is in the hands of the State Department," Mr. Aldrich replied.

An American reporter wanted to know whether Britain, too, did not have to do something besides looking to America for help?

An intergovernmental economic conference, which the new International Chamber recommends, cannot be held before next year. Such a conference requires about six months to prepare, and, as yet, the new Labor Government has not worked out any of its major domestic policy problems. London newspapers generally comment on the lack of precision in the King's speech of Aug. 15th. Labor Government leaders are not making themselves available to foreigners, and even the foreign embassies here are without much information so far concerning the new Government's program. The only thing clear is that the Bank of England will be brought under Government direction and control, one way or another, but that is hardly a revolutionary step in a world where all banks are Government controlled. However, this is not the view in the article by J. R. Campbell in the London "Daily Worker" of Aug. 18th, reprinted in this issue of the "Chronicle."

An American businessman surveying a cartelized British industry with a view to investing in a branch plant here comments that he is pleased the United States has anti-trust laws to compel competition. He had reference to the inefficiency of the British industry he had just surveyed.

Vicissitudes of Foreign Travel

The American businessman who arrives in London must do a lot of paper work to check in and to check out. If he also wants to arrange to visit countries on the continent, his work increases in what seems to be geometric proportion.

The first thing one learns, as like as not by accident, is that one must register with the police at Piccadilly Place. This operation, itself requiring about five minutes, will entail from 1¾ to 2 hours of queuing-up unless one is lucky enough to stumble on a certain shortcut which few discover. Then one must go to Caxton Hall and get the ration books and identity card required of everyone. The process is ancient and familiar as the old building in which it occurs. At present, if you are lucky enough to have gotten through on the first try, a good half day has gone. This assumes that you didn't find Caxton Hall yourself and had sense enough to use a taxi in the first place. It also assumes you could get a taxi, which more likely you cannot.

If you want to leave Britain to visit the Continent, you must get an exit and a re-entry permit. Ordinarily that requires an interval of ten days after you apply, although it can be speeded up. But this application, accompanied by filled out currency form and other papers, cannot be filed until you have all the necessary visas of the countries you want to visit. To get the visas takes time, as well as letters from the American Embassy, stating that your trip, in each case, is in the national interest. The American Embassy is most efficient, but to get the letters takes a couple of days, and more taxis, of course. London is full of quaint old taxicabs, but they seem always to be engaged.

For the visas, as for the police registration, photos are needed. You probably didn't bring along enough extra photos, so by now you will perhaps have to find a passport photographer. Maybe a bank holiday will delay you a day or two in this.

Of Western European countries the hardest to visit seems to be Switzerland, according to this writer's experience. On your first call at the Swiss Legation, which even taxi drivers cannot all quickly find, you will be sold four blanks which, when filled out front and back, must be returned with four photos. On your second visit, you will probably have to wait not more than 1½ hours to file the application. Then, by arranging for cables, you may hear in some 10 or 12 days. You may be advised to get the American Embassy to cable Berne to ask the Swiss police to expedite your application, but Americans who have tried it say "forget that."

The Belgians require only one photo. The French and Dutch require none for visas for Americans. But the waiting is characteristic of all the consulates, legations and embassies, which are understaffed and crowded by foreigners and nationals seeking visas and certifications. Queuing-up is London's favorite daytime and night-time sport. On a holiday you can even see long queues of women and girls, as many as 50, waiting to get into the public toilets in parks or subways.

Getting visas is only one part of post-war travel in Europe. To travel at all you need a priority. Then you need to get your transportation tickets; arrange for hotels at the end of your journey; acquaint yourself with the restrictions on the movement of currency, securities, goods, etc., all of which vary from country to country. In these matters the American Embassy can and does render the American traveler invaluable service under what must be, for the Embassy personnel, trying conditions.

To some places in Europe the only communication available is by U. S. or British military aircraft. To Sweden, commercial aircraft also travel from London. By September, it is expected, the Army's "American Transport Corps" will give up carrying civilians.

As between certain European countires, and even within them, travel conditions are reportedly "terrific." The writer talked with a man, a relief worker, who stood up nearly all night to go by train from Paris to Switzerland. Part of the way he was able to sit on the corridor floor. A traveler visiting Sweden and Holland from London is now advised to go to Sweden and return to London so as to reach Holland. That, of course, means going back to the British passport office with another letter from the U. S. Embassy, and obtaining another exit and re-entry permit from the British. Of course, visas to visit Europe theoretically may be got before leaving America. But in Washington the State Department is very hardboiled about issuing supporting letters of request to the foreign embassies and consulates, and the time required is in some cases much longer than here.

If these wartime travel conditions are to be long extended, the businessman's transition from war to peace will be slow indeed. Tourist and other non-essential travel seems to be a long way off, viewed from this place and hour.

The Market Outlook

The way some people talk about the future of business in this country, you'd almost think that we had lost the war instead of won it.

Of course there will be "Re-conversion" problems. **Of course** there will be a big shift from war-time to peace-time employment and that will mean that temporarily a lot of people may be out of a job. But is that the thing that will really determine whether or not the corporations can make money? If you're trying to figure whether a stock is cheap at its present quotation, is **that** the main thing to consider?

A lot of people, mainly newcomers, it would seem, in the investment field, seem to think it is—with the result that here, on the very eve of what may well turn out to be one of the greatest bull markets in recent history, the list is full of things selling at prices far below what they are actually worth.

Why are we on the eve of a great upswing in stock prices? (1) Because there's an enormous amount of business ahead, business which is going to be done at a profit far above what the corporations have been making out of war business. (2) Because the country is literally full of money, and that money is going to be used by its owners to get themselves an interest in what is going on—in other words, to buy stocks.

Already we are hearing, in the case of this or that particular company (or even whole industry) of swift and successful changeover from war to peace. Already we are hearing of labor released from one industry being rapidly absorbed by another. Let that sort of news take the place of some of the doleful talk we have been getting and soon enough there will be touched off the buying spark that will set the bull market under way.—From "Grist."

Lohrman Would Guard Our Gold Reserve Against Atomic Bombing

Wm. E. Lohrman, of Wm. E. Lohrman & Co., of this city, says that on the same theory we diversify our investments we should "move the major part of our gold hoard from Fort Knox to spread the risk of Atomic Bombs or other similar destructive devices."

Samuel Englander At Seligman, Lubetkin

Samuel Englander, formerly with P. J. Steindler & Co., as manager of the wholesale department, is now associated with Seligman, Lubetkin & Co., 41 Broad Street, New York City.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

The sixth annual edition of Best's "Fire and Casualty Aggregates and Averages" has just recently come off the press. To those interested in the insurance business, whether from an investment or an operating point of view, or even from the academic viewpoint, this volume will repay close study.

The growth of stock fire companies over the past 55 years makes an impressive record, for its rate has been considerably more rapid than has the rate of population growth. This fact is brought out in the following table which shows significant aggregate figures for all stock fire companies, at five-year intervals, compared with the population of the United States:

Year—	Assets	Capital	Surplus	Net Premiums	Population
1890	$279,000,000	$71,000,000	$79,000,000	$150,000,000	62,951,000
1895	309,000,000	63,000,000	91,000,000	175,000,000	--------
1900	378,000,000	69,000,000	129,000,000	200,000,000	75,995,000
1905	509,000,000	73,000,000	177,000,000	290,000,000	--------
1910	647,000,000	90,000,000	208,000,000	325,000,000	91,972,000
1915	802,000,000	108,000,000	260,000,000	400,000,000	--------
1920	1,435,000,000	165,000,000	359,000,000	890,000,000	105,711,000
1925	1,894,000,000	254,000,000	561,000,000	934,000,000	--------
1930	2,603,000,000	445,000,000	939,000,000	910,000,000	122,775,000
1935	2,308,000,000	313,000,000	1,118,000,000	686,000,000	--------
1940	2,578,000,000	342,000,000	1,147,000,000	917,000,000	131,669,000
1944	3,230,000,000	352,000,000	1,341,000,000	1,139,000,000	139,000,000 (Est.)

It will be observed that population has increased about 120% since 1890. Total assets of stock fire companies, however, have reached a dollar aggregate approximately 11½ times the $279,000,000 of 1890, while capital is now five, surplus approximately 17, and net premium volume 7.6 times as great as the 1890 figures.

The record for stock casualty companies commences with the year 1905, and figures at five-year intervals are shown below.

STOCK CASUALTY COMPANIES

Year—	Assets	Capital	Surplus	Net Premiums	Population
1900	--------	--------	--------	--------	75,995,000
1905	$99,000,000	$26,000,000	$25,000,000	--------	--------
1910	152,000,000	32,000,000	38,000,000	--------	91,972,000
1915	237,000,000	50,000,000	39,000,000	--------	--------
1920	569,000,000	71,000,000	74,000,000	$436,000,000	105,711,000
1925	914,000,000	118,000,000	134,000,000	633,000,000	--------
1930	1,418,000,000	205,000,000	234,000,000	838,000,000	122,775,000
1935	1,220,000,000	116,000,000	237,000,000	673,000,000	--------
1940	1,651,000,000	142,000,000	426,000,000	870,000,000	131,669,000
1944	2,387,000,000	178,000,000	604,000,000	1,223,000,000	139,000,000 (Est.)

Since 1900, population has increased by approximately 83%. Total assets of the casualty companies, however, are about 24 times their 1905 figure, while capital and surplus are, respectively, 6.9 and 24.0 times as great as in 1905. Net premium volume has expanded from $436,000,000 in 1920 to $1,223,000,000 in 1944, an increase of 180% compared with a population increase of 31.5% over the same period. For both fire and casualty companies the growth in surplus is particularly striking. This achievement can be attributed, in the main, to the constructive dividend practices of both groups whereby a large proportion of annual earnings are ploughed back into the business.

Another exhibit of particular interest is the record of loss and expense ratios of fire companies since 1910. The trend of the expense ratio was steadily up until 1932 when it reached its high of 48.7%; it held at a relatively high level for seven years, but since 1938 has reather steadily declined to 41.3% for 1944. The loss ratio trend, on the other hand, has moved approximately in the opposite direction. From 1910 to 1935 its general trend was down, but since then it has moved up from 40.4% to 57.3%. The combined loss and expense ratio has traced a pattern over the whole period which indicates no well established trend, though rather wide fluctuations over shorter periods are recorded. The following table may be found helpful:

Year	Expense Ratio	Loss Ratio	Combined Ratio
1911	38.8	57.1	95.9
1914	38.6	63.0 (high)	101.6
1917	36.7 (low)	57.6	94.3
1919	40.2	48.5	88.7
1921	41.7	62.3	104.0 (high)
1925	41.4	60.7	102.1
1929	44.1	49.0	93.1
1932	48.7 (high)	53.8	102.5
1935	47.9	40.4 (low)	88.3 (low)
1942	39.7	59.0	98.7
1944	41.3	57.3	98.6

It is impossible to refer adequately to the wealth of statistical data that is given in the volume, by chart as well as by tabulation. For not only does the record cover stock companies, but mutual fire companies, mutual casualty companies and also Reciprocals and Lloyds. As the title of the volume indicates, however, the data given is "aggregates and averages," no information is presented on individual companies. It provides analysts, statisticians, and others of that ilk, a yardstick against which to measure the trend and record of such individual companies as they may wish.

The Full Employment Bill

(Continued from page 930)

declaration of policy and an establishment of procedures whereby legislation appropriate to the purpose of full employment may be recommended by the President and considered by the Congress.

The program contemplated by the Bill falls sharply into two distinguishable parts: Part One, a program to be recommended by the President for encouraging private and other non-Federal employment. Part One proposes the adoption of Federal policies and activities with reference to "banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure." Part Two of the program calls for additional Federal expenditure, if needed, to assure a full employment volume of production. Part Two of the program thus authorizes, indeed it requires, the President to inform the Congress as to magnitude and character of Federal expenditure deemed by him necessary to assure a full employment volume of production; and Congress, if it approves the Bill, makes clear that it will receive the suggestions of the President sympathetically and will approve them to the extent that they seem wise and in accord with sound public policy.

The establishment of such a procedure would be a great gain. It would be a positive assertion of the willingness of the Congress to consider policy legislation directed specifically at the maintenance of full employment and, as needed, to use the financial powers of the Federal Government to the end of creating the aggregate employment opportunity determined to be necessary for full employment.

As I have pointed out, the program contemplated by the Bill falls sharply into two distinguishable parts. Port One is the stimulation of employment in private and non-Federal activities through the adoption of Federal policies and programs over a wide area. Part Two calls for Federal expenditure, under specified conditions, to make up for any deficiencies after the contribution to employment of Part One has been appraised. But, unfortunately, in the nature of things, the estimate of these deficiencies to be carried by Part Two of the program must be made many months in advance and must be subject to wide administrative discretion.

Amendments Needed

It is apparent, therefore, that the success of the Bill in attaining its purposes, depends absolutely on the success of the Federal Government, under the program adopted as Part One, in maintaining an extremely high level of employment. The residual expenditure by the Federal Government under Part Two must be relatively small if the Bill is to succeed. The projects under Part Two must be flexible, optional, local or regional, suitable for elementary and generalized skills and for temporary transitional employment. These projects must also meet the tests of desirability as to purpose, and efficiency and economy in execution. Otherwise, what was intended by law to constitute a residual expenditure to make up insufficiency will become an inefficient and unwelcome part of the regular economy.

As a matter of fact, the only types of projects that come to my mind that meet the specifications under Part Two in any real volume are secondary highways and local or regional conservation projects. Such projects are desirable and can be carried out efficiently, but the limitations in relative aggregate amount are obvious.

It was for this reason, that in my letter to Senator Wagner, I suggested certain amendments to the Bill. It is now my understanding that preference has since been expressed for keeping the Bill free of any statements of policy in particular areas, and I recognize that there are good reasons why this should be the case, particularly in view of the need for prompt action on the Bill.

But freeing the Bill of substantive amendments only makes the more urgent the passing of certain other legislation mentioned below that will contribute strongly to the maintenance of high productive employment under Part One of the program.

First of all should come a reform of social security financing that will take the deflation out of social security.

Second, we should have a regular Federal policy and program in public works and conservation that will tend to stabilize the construction industry at an appropriate level.

Third, we should work out our Federal tax program so that rates will be set to balance the budget at high employment.

Fourth, Federal lending activities at home and abroad should be associated harmoniously in Federal fiscal policy.

And fifth, a policy and program should be adopted directed toward maintaining a prosperous agriculture.

Bill Attempts to Do Too Much

These proposals are not intended to exclude others, but action on these five at least should be taken promptly as an integral part of the program for full employment. Without such measures, the Bill before us, S. 380, attempts to do too much. If there were no reasonable expectation of legislation at an early date directed toward automatic and effective maintenance of normal, high, productive employment, it would be my feeling that the passage of the Full Employment Bill should wait for such reasonable expectation. Otherwise, Part Two of the program would be forced to carry a gigantic and unworkable load.

It is the danger of such a gigantic and unworkable load that causes many people to fear that the Bill will result in vast improvised expenditures, unwholesome centralization of power and ultimately in the dependence of a substantial segment of the working population on Federal largesse for its employment. Such a development would present political hazards of the first order. These dangers can be avoided if prompt action under Part One of the program keeps the residual problem to be met under Part Two down to small quantities that are well within the bounds of satisfactory prediction and efficient administration. Prompt action on measures under Part One would therefore be highly reassuring and would release cooperative energies that would contribute significantly to the attainment of the Bill's objectives.

Background of Bill

Next I wish to comment on the historical background of this Bill. The Committee has already had prepared for it a study of the Employment Stabilization Act of 1931 and its antecedents. This analysis demonstrates that the Full Employment Bill has its roots in American thinking and tradition. It is an American response to a world-wide recognition that the hazards of involuntary unemployment must be mitigated by the people as a whole acting through their government.

There are some who are not informed on this long history and who identify the Full Employment Bill with European, and particularly with British, ideologies. They interpret the present Bill as an attempt to introduce into the American scene the ideas of Sir William Beveridge, or as a plot to fasten a European State Socialism on an unsuspecting America. Nothing could be more misleading. To be sure, we are well informed on what Europe is thinking and, since we and Europe are discussing the same subject, there is a natural similarity in concepts and terminology. But the history makes it clear that the present Bill is our own, and in my opinion, it is much better adapted to our needs than the more centralized and bureaucratic patterns that seem to be developing in western Europe. As an example of what I mean, take two policy statements, one on taxation and one on wasteful expenditure, from Beveridge's "Full Employment in a Free Society." Beveridge rejects all-around reduction of rates of taxation as a means of stimulation of employment activity, even though he recognizes the power of tax reduction to stimulate private consumption. Beveridge states, "Private consumption outlay, even if it were high enough to absorb all the productive resources of the country, might fail in practice to absorb them because it would be directed without regard to the available labor and the need for stabilizing investment; it might be directed to purposes of low social utility; it could not secure many vital purposes which can be attained only by common action."

Criticizes Beveridge Policy

In other words, instead of using tax reduction to leave in the hands of the people purchasing power to spend, invest or save as they please, Beveridge's policy means the withdrawal of purchasing power from the people and its expenditure or investment for purposes deemed wise by the central government itself. Such a policy may be sound for Britain where the need for building and modernization of capital goods is very great, but it would be most unsound for us where the need is for a vast increase in the current consumption of the people. Our situation is different from that of Britain and our fiscal policies for full employment must be different. The greater the freedom of the consumer, farmer or businessman to make his own decisions as to how he spends, invests or saves his money, the nearer will be our approach to true economic democracy under our full employment policies.

On wasteful expenditure, Beveridge states, "It is better to employ people on digging holes and filling them up again than not to employ them at all; those who are taken into useless employment will, by what they earn and spend, give useful employment to others." Presumably, if private individuals and businesses are not willing to employ people on digging holes and filling them up again, the government should do so at public expense if it cannot think up anything better to do at the time.

These policies from Beveridge on taxation and on expenditure would be repudiated by American thinking and are in no way involved in the Full Employment Bill, unless the Congress deliberately puts them there by specific legislative enactment.

Tax Reduction Will Avoid Wasteful Expenditure

We do not need to contemplate under this Bill any spending for its own sake or any wasteful expenditure. The large and necessary governmental budgets in the years ahead make it possible for us to obtain a vast increase in aggregate purchasing power by tax reduction alone, thereby reducing the need for direct Federal expenditure to support employment. Stabilizing the construction industry would remove one of the most variable of the economic factors. Proper financing of social security would take the deflation out of this program. Residual unemployment should and can be reduced to a manageable quantity of a local, special and temporary character. Federal expenditure on residual unemployment can and should be applied only to worthwhile projects efficiently carried on.

Finally, let me discuss the controversial phraseology of the Bill. This relates to three points: one, "the right to work," two, "the assurance of employment," and three, the concept of "full employment."

Frankly, I think it makes little difference practically in the level of employment in 1946, 1947 or the years following how these matters are stated or whether they are stated at all—except for one thing, carelessness and ineptitude at this point may well undermine the prestige of the Federal Government, or create suspicion and lack of confidence among those whose cooperation is indispensable for the success of the Bill. This is a real danger.

"The Right to Employment"

The introduction of the phrase, "the right to employment," is a singularly inept and unnecessarily provocative formulation of an exceedingly profound insight as to the dependence of human freedom on employment.

The statement of employment as a right degrades the concept of human rights. There has been a tendency in recent years for those who desire a more widespread enjoyment of such benefits as education, housing, health, nutrition and recreation to attach to these truly desirable fruits of social progress the high dignity of fundamental human rights. This extension of the term, human rights, tends to weaken the power and gravity of the concept. Is, for example, the "right to employment" one of those basic rights for which "governments were instituted among men"? This can hardly be the case, since in the Bill, the "right to work" is, in the same sentence which declares it, removed at one stroke from all Americans who have not finished their schooling and who have full-time housekeeping responsibilities. And what about the old people who have been deprived, I think wrongly, of the "right to work" for more than $14.99 a week, if they accept their lawful benefits under social security?

Human rights, if they are real, cannot be so easily given and taken away. They transcend both statute and constitution and are the heritage of two thousand years of insight and reason respecting the nature of the relationships of men to each other and to their governments.

There are those who feel that any change in the present formulation of the Bill as to the "right to work" will weaken the Bill. There are others, friends of the Bill, of whom I am one, who object to the phrase because it weakens the dignity of fundamental human rights.

And for the purposes of the Bill such weakening is unnecessary. Consider, for example, the power of alternative language: "The Congress finds and declares that involuntary unemployment on the part of any citizen is a matter of national concern, that such involuntary unemployment threatens not only the rights and proper privileges of the citizen but menaces the institutions and foundations of a free democratic state." Such a formulation associates correctly the rights of citizens with the menace of involuntary unemployment and in my opinion, is a far stronger and more penetrating justification for the measures included in the Bill than the questionable declaration of a "right to work."

"Assurance of Full Employment"

The second doubtful phraseology is the "assurance" of full employment. Obviously, such assurance can never be given by fiscal measures alone. Take, for example, the involuntary unemployment that might be caused by labor disputes involving utilities, building service operators, teamsters or transport workers, which might seriously affect continuing full employment for large numbers of workers dependent for their work on these services. Are all strikes, boycotts and lockouts that affect continuing full employment of workers not parties to the dispute to be outlawed in order to assure the "right to work"? Again, the objection to the words "assure" or "guarantee" is not designed to weaken the Bill. But unless the "assurance" is faithfully performed on all fronts and in behalf of particular individuals affected, either the authority of the Federal Government is weakened, or the word "assurance" is watered down to the point where it has little meaning either in public law or in private contracts. Change in phraseology should not be difficult to meet this point.

There are some who object to the term "full employment," but for my part I like the phrase as the expression of a goal for national policy. Like other goals, it is clearly unattainable and it would lose its virtue if it were. The statement of the goal and our sincere efforts to attain it will make the reality much closer to the ideal than if the ideal had never been expressed. There is some doubt in my mind, therefore, whether it is necessary or even desirable to define precisely what we mean by "full employment." It is a concept that will change from decade to decade as our ideas with respect to the relation between work and freedom change. A definition can hardly have any substantial practical consequences as to what is recommended or legislated under the Bill. Why not leave the term "full employment," like "liberty" and "justice," to stand as a goal of democratic government, and to derive its specific content from the will of the people as expressed from period to period by their free institutions?

Summary

To sum up, it seems to me that the objectives of the Full Employment Bill are desirable, that the procedure is workable and that, if basic legislation is promptly adopted for social security financing, construction industry stabilization, taxation, coordination of Federal lending and the welfare of agriculture, the program can be made to work. There need be no wasteful expenditure if residual unemployment is local, special, temporary and in small amount.

The controversial terminology of the Bill should be modified so that, without weakening the Bill or the opportunities for action within the frame of the Bill, the greatest possible harmony may exist among all who believe that it is both appropriate and necessary that the Federal Government direct its full powers toward the goal of full employment.

R. L. Cooke Jr. Opens In Nashua, N. H.

NASHUA, N. H.—Robert L. Cooke, Jr., has opened offices at 71 West Pearl Street to engage in a securities business. Mr. Cooke was formerly an officer of Ballou, Adams & Co., Inc., of Boston, with which he was associated for many years.

A Code of Int'l Commercial Credit

(Continued from first page)

ternational commercial conduct. I shall attempt instead to indicate the principles which should govern in the construction of such a code. I may add that the principles here stated are to be regarded as features of a permanent code of international commercial conduct. While it may not be possible during the postwar transitional period to eliminate all policies and practices not in harmony with these principles, every effort should be made to achieve that result at the earliest practicable moment.

Elements of Code

Right of entrance, residence, travel, ownership of property and participation in private business activities—Nations should grant to nationals of other countries the right to enter and reside in their territories and the same rights to travel, use transit and communications facilities, own and control property and participate in permitted business activities as are enjoyed by their own citizens. If for security or other reasons a distinction is made between citizens and aliens with respect to enjoyment of such rights, aliens of each nationality should be accorded the same treatment as aliens of any other nationality; in other words, most-favored-nation treatment.

Equal protection of the laws—Nations should extend to nationals of other countries residing in their territories the same protection of the laws, access to and equality before the courts and privileges respecting the conduct of permitted business activities as are accorded to their own citizens. Property of aliens should be protected and should not be subject to confiscation or public appropriation without prompt and just compensation. Equal protection of national laws should extend to patents, trade-marks, names and brands belonging to nationals of other countries.

Commercial laws and standards—As a means of removing impediments to international trade as well as causes for complaint, nations should unify their commercial laws and should improve legal procedures. They should also endeavor to establish greater uniformity of internationally-used weights and measures and should promote the extension of international standardization of commercial products.

Taxation—Nations should not tax property or income of nationals of other countries at a higher rate or under more burdensome terms than are applied to property and income of like kind of their own citizens. Nations should also provide by treaties with other countries or otherwise against double and extra-territorial taxation of their citizens operating in such countries.

Monetary stability — Nations should not engage in competitive depreciation of their currencies as a means of gaining advantages in international trade. Although the International Monetary Fund is designed to prevent such depreciation, the articles of agreement pertaining to the Fund permit a member nation to depreciate the value of its currency within specified limits under conditions which may largely be created by such nation itself. The administrators of the Fund should establish standards which will dissuade a nation from resorting to currency depreciation for the correction of a disequilibrium in its international financial situation which is primarily due to the adoption or continuance by such nation of unsound financial or other economic policies.

Exchange control — Nations maintaining exchange controls, whether exercised unilaterally or through bilateral payments agreements or currency area arrangements, should abolish such controls at the earliest practicable moment after the war. Pending complete elimination, such exchange control as is maintained should be exercised only for the purpose of conserving scarce currencies in order that such currencies may be used for the purchase of essential foreign products needed for development or rehabilitation of the economies of the nation or nations exercising such control. Exchange control should never be used in a discriminatory sense, nor as a means of giving special advantage to the trade of a nation or nations participating in a currency bloc or other trade area as against that of outside countries.

Prohibitions and quantitative restrictions on imports—Except for health and sanitary reasons, all prohibitions and quantitative restrictions on imports should be removed as soon after the war as shipping limitations and balance of payments positions of nations employing them make possible. Any subsequent reimposition of such prohibitions or restrictions should be permitted only in accordance with the criteria to be laid down by an international trade agency set up under the United Nations Economic and Social Council and with the approval of such agency. All quantitative restrictions should be non-discriminatory in their application. Sanitary embargoes involving quarantine restrictions against the importation of diseased animals or plants from other countries should be applied only for the purposes for which they were designed and should not be employed as a subterfuge to afford domestic producers extra-tariff protection against competing foreign products. Other restrictions such as mixing regulations, notably in the case of cereals, whose only purpose is to prevent or restrict the importation of foreign products, should be abolished.

Export prohibitions, taxes and subsidies—As a general principle, there should be no restrictions on exports and, in accordance with this principle, all prohibitions and quantitative restrictions on exports should be removed as soon after the war as shipping space considerations permit. There are, however, two types of cases in which some restriction on exports might be permissible. One is that of commodities which are produced in a number of countries and of which there is normally a world surplus. This type of case is discussed later under the heading of "Intergovernmental Commodity Agreements." The other kind of case is that involving commodities of which there is a scarcity. In the case of such products, nations owning them or controlling them might be permitted to place limitations on the amount of such products that could be exported. The conditions under which such control should be exercised should, however, be determined by international agreement and regulations should be adopted assuring other nations an equitable share of the products and preventing discrimination in the allocation of shares to nations other than those owning or controlling such products.

There should be no prohibition of exports of seeds, roots and stocks.

If taxes are to be levied on exported products, such taxes should not be so heavy as to be restrictive and should be nondiscriminatory; colony-holding nations, in particular, should not impose taxes on exports of colonial products which discriminate as between the mother country and outside nations.

Nations should not employ subsidies or bounties as a means of forcing their products on export markets. As a general proposition it is undesirable for a nation to pay subsidies on a commodity that is normally produced in exportable quantities or on a commodity that would be produced in exportable quantities only because of the subsidy.

For security reasons and because of the importance of shipping services to national economies, subsidies necessary for the development and operation of a national merchant marine are justified.

Preferences and Discriminations—As a general proposition, preferential arrangements between groups of nations or between a mother country and its dominions or colonies which give more favorable tariff treatment to the products of each other than to those of outside countries are objectionable and should be abolished. There are, however, some circumstances under which preferential arrangements would seem to be justified. Such arrangements might be permitted in the case of contiguous nations which are closely affiliated economically and whose prosperity would be increased by removal of tariff barriers between them. To be acceptable, however, such arrangements should meet certain conditions. The duties applied against outside countries by nations participating in the preferential arrangement should not be higher than those which they maintained prior to their entrance into the arrangement. Other countries within the same general region and affected by similar economic conditions should have the right to join the preferential arrangement by making concessions to other members of the group as favorable as those which the latter extend to each other. Such arrangements should not prevent reductions in duties on products of outside countries. The preferences should be confined to products which the member countries supply in substantial quantities to one another. And the preferential arrangement should contribute to more efficient production and to the development of better balanced economies in the area covered by the arrangement. Similar preferential arrangements might be allowed in the case of nations affected by similar economic conditions where such arrangements are a prelude to a customs union between the nations participating in the arrangement. The general principle underlying each type of arrangement should be that the trade of outside nations with nations participating in the arrangement should not, on the whole, be on less favorable terms than existed prior to the consummation of the arrangement.

Other exceptions to the above-stated principle might be permitted in the case of regions within specified distances on either side of a national frontier where such regions suffer economic hardship due to tariff rates maintained by the adjoining country. A further exception, at least for a period sufficiently long to allow for transitional adjustments, might be permissible in the case of a small country or territory weak economically whose prosperity is especially dependent on the enjoyment of a preferential position in the markets of a larger country. In such situations, however, the larger nation should not ask for reciprocal favors from the smaller country or territory. Its economic relation to the smaller country or territory and gratitude on the part of the latter for the favors exended to it would of themselves give the trade of the larger nation an advantage over that of other countries in the markets of the smaller country or territory.

Long-term bulk-purchasing contracts, under which a nation agrees to buy stipulated quantities of foodstuffs or raw materials from countries comprised within an imperial system of which it is a member or from specified outside countries to the exclusion of purchases of similar products from other countries producing such products, discriminate against the latter countries. While such contracts may be necessary or desirable in wartime, they cannot be justified as peacetime measures. Bulk-purchasing contracts may not in themselves be objectionable provided they offer to all nations without discrimination opportunity to sell their products on an equal basis to the nation making bulk purchases.

Import duties and taxes—All excessive and unnecessary tariff rates should be eliminated. Where nations insist on the need of tariff duties either for protective or revenue purposes, the duties should be only moderate in amount. The aim should be the greatest possible exchange of goods among nations on the basis of comparative costs. Taxes other than tariff rates should not be imposed on imports except to offset excise taxes levied on competing domestic products. They should never be used for the purpose of furnishing additional or extra-tariff protection to domestic producers.

Customs regulations, travel, consular and shipping documents—"Invisible tariff" obstacles to the flow of commerce, such as antiquated and burdensome regulations relating to the filing of invoices, the classification of goods, the method of valuation, the payment of duties and similar matters, should be eliminated. Customs formalities should be simplified and essential documents and procedures should be standardized. Travel, consular and shipping documents should all be overhauled and streamlined, with a view to expediting the movement of goods in commerce and to cheapen their cost.

Dumping and other unfair methods of competition—"Dumping" and other unfair methods of competition in commerce should be eliminated. Nations should cooperate in the drafting of an international code specifying acts and conduct which shall be considered unfair practices in international trade and should adopt uniform legislation and other measures to curb such practices. Particular attention should be directed to regulating the use of patents and trade-marks in international trade.

Export credits guarantees—Government guarantees of export credits are unobjectionable as a means of promoting export trade provided such guarantees do not cover concealed subsidies to the trade of the nations employing such devices. The premiums charged for such guarantees should fully cover their cost and the compensation paid for losses should not exceed the amount of loss actually sustained.

Cartels—Like excessive tariff duties, preferences and similar trade barriers, trade-restricting cartel practices should be abolished. Now that German cartels, the fount of the international cartel system, are to be broken up by the Allied governments, an effort should be made to outlaw all practices which restrict production and trade. If international agreement cannot effectively outlaw such restrictive cartels, then international machinery should be set up to insure that cartels shall not so limit output, interfere with maximum efficiency of production and obstruct international trade as to prevent the provision of an abundant supply of goods at reasonable prices to consumers.

Intergovernmental commodity agreements — Intergovernmental commodity agreements, although subject to public control and therefore perhaps less objectionable than private trade cartels, nevertheless restrict the supply and increase the cost of products to consumers. For that reason, such agreements, if tolerated at all, should be restricted to agricultural or other primary commodities which are subject to chronic surpluses. An effort should be made by the nations participating in such agreements to shift productive facilities from the production of the surplus commodity to other economic activities and to adjust their economies so as to prevent the production of surpluses of the commodity in question, with a view to eventual elimination of the governmental control over the production and marketing of such commodity.

Government monopolies (State-trading corporations, etc.)—Not only Russia but numerous other countries may conduct all or part of their foreign trade operations after the war as a state monopoly or through corporations or organizations sponsored by the State. If international trade is not to be burdened with restrictions as a result of the difference in trading methods followed by private-enterprise countries and those employed by state-trading monopolies or corporations, it will be necessary that clearly defined principles be agreed on relating to their respective trading methods. State-trading corporations must not use their great buying power as a means of discriminating between traders within a given country nor should state-trading monopolies use their vast power to dump their products in other countries or to acquire products of other countries at prices which are not fair to the producers of such products. State-trading monopolies should allocate purchases of products they require among other countries on a basis which, having due regard for price considerations, is fair to all of them. The working out of such purchases could perhaps best be achieved through the medium of a multilateral agreement. At least this procedure might be followed for a few years while the principles and practices that are to govern business relations between private-enterprise and state-trading countries were being developed. In return for the exercise by state-trading organizations of their buying monopoly in a manner that is equitable and fair to private-enterprise countries and perhaps also for undertakings by state-trading monopolies to buy stipulated amounts of goods from private-enterprise countries, the latter should extend to the nations maintaining trading monopolies their lowest rates of duty and accord them most-favored-nation treatment in all matters affecting the trade of the later countries.

Access to raw materials and markets—Nations should guarantee all other nations "open door" treatment with respect to access to foodstuffs, raw materials and markets. Proposals already outlined are designed to accord all nations opportunity to buy and sell in world markets on terms of complete equality with all other nations. Equality of treatment respecting foodstuffs and raw materials would embrace not only the right to acquire available supplies of such commodities on equitable terms but would include also the right to develop resources necessary for the production of such commodities. This would mean, in other words, equal opportunity for producers of all countries to obtain concessions or other rights for the development of food and raw material resources.

If raw material resources are a state monopoly, the state exercising such monopoly should undertake to provide an adequate supply at a reasonable price to meet the needs of all countries. "Reasonable price" should be defined, as in the International Sugar Agreement, to mean "not to exceed the cost of production, including a reasonable profit, of efficient producers."

Foreign investments — Much that has already been said, especially as to protection and equal treatment as between foreign and domestic property, applies to foreign investments of capital. As has been pointed out, nations which receive foreign investments should undertake to afford ample facilities for the free movement and investment of capital, to give equal treatment to national and foreign capital, except when investment of the latter would be inimical to the public interest, and to grant to securities issued by capital-investing nations the same treatment as is accorded to securities issued and placed by societies and institutions in the capital-receiving country. Nations receiving foreign capital should not impose burdensome regulations relating to its administration or to personnel and conditions of operation.

Owners of capital invested in other countries should administer their property in such way as to contribute to the economic well-being of the capital-receiving country and its people. The owners should endeavor to assure to capital of the receiving country a just and adequate participation both in the establishment and management of their enterprises; foreign investments should not as a rule displace the capital of nationals of the receiving country in existing or other enterprises. Owners of capital invested in other countries should undertake the training of local personnel, with a view to expanding employment in the capital-receiving nation.

Commercial arbitration — All commercial disputes should be settled by arbitration. Such arbitration, however, should be entirely voluntary. Provision for arbitration should be written into all commercial contracts.

Friendly consultation — If nations are to live amicably together they must learn, in adopting acts and policies for the benefit of their own economies, to consider what the effects of such acts and policies would be on other countries. When a nation adopts or contemplates the adoption of an act or policy which injures or threatens to injure the interests of another country, it should consult with that country with respect to such act or policy. This does not mean that a nation cannot always avoid action which might involve some injury to an interest of another country. But the avoidance of such injury should be a basic consideration in the right of a nation to pursue a policy it deems in its own interest and, where such injury cannot be avoided, the nation should consult with the country or countries whose interests might be injured by such action with a view to minimizing such injury.

Application of Code of International Commercial Conduct

Agreement between nations on the principles to be incorporated in a code of international commercial conduct will be only the first step in the development of equitable and peaceful international commercial relations. Getting nations to abide in practice by the principles of such code will be of equal, if not greater, importance than agreement on its essentials. There will need to be an agency which will examine laws, decrees, and regulations issued by the various nations in economic matters and to decide whether such laws, decrees and regulations conform with the principles of the code. As a means of facilitating the work of such agency, copies of all laws, decrees and regulations adopted by the various nations and of trade and other economic agreements entered into between different nations should be transmitted to the agency as soon as they are adopted or become effective. Such agency should be empowered to call to the attention of members any policies, laws, and regulations or international agreements which they enter into which the agency regards as in violation of the code. The agency should also have the power to hear complaints and to issue reports relating to any offending laws, decrees, regulations and agreements and to make recommendations for adjustment of such laws, decrees, regulations and agreements to bring them into conformity with the code or for their discontinuance. The agency itself would have no power to order revision or discontinuance of offending regulations but would have only powers of advice and recommendation concerning them.

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)

CINCINNATI, O.—**Reginald W. Barnard** has rejoined the staff of **W. E. Hutton & Co.**, First National Bank Building. He has recently been serving in the armed forces.

(Special to The Financial Chronicle)

CLEVELAND, O.—**William H. Clark** has rejoined **Merrill, Turben & Co.**, Union Commerce Building. He has recently been with Paine, Webber, Jackson & Curtis.

(Special to The Financial Chronicle)

DENVER, COLO.—**Paul H. Hadley** has become connected with **Sullivan & Company**, Security Building. He has recently been in the U. S. Army and in the past was with Brown, Schlessman, Owen & Company.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Robert E. Bulkley**, formerly with A. C. Allyn & Co., has become affiliated with **Paine, Webber, Jackson & Curtis**, Penobscot Building.

(Special to The Financial Chronicle)

JACKSONVILLE, FLA. — **Thomas H. Hightower** has been added to the staff of **Southeastern Securities Corporation**, 304 West Adams Street. He was formerly with Thomson & McKinnon.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**Myron H. Post** is with **Herrick, Waddell & Company, Inc.**, 1012 Baltimore Avenue.

(Special to The Financial Chronicle)

MIAMI, FLA. — **Bernard D. Kaplan** has jointed the staff of **Bache and Co.**, 96 N. E. Second Avenue.

(Special to The Financial Chronicle)

MILWAUKEE, WIS. — **Emmett J. Sheridan** has become associated with **Paine, Webber, Jackson & Curtis**, 605 North Broadway. In the past he was with E. H. Rollins & Sons, Inc.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Walter Woods** is with **Edward D. Jones & Company**, 300 North Fourth Street. In the past he was with Dow, Jones & Company in St. Louis.

C. F. Cassell & Co. Adds Three to Staff

CHARLOTTESVILLE, VA.— C. F. Cassell & Co., 112 Second Street, N. E., announce that John W. Ayres and George Barlow have joined their organization and will be connected with the Sales Department. Montie Smith has become associated with the firm as cashier.

Mr. Ayres was formerly connected with an investment house in Baltimore and later joined the Home Owners Loan Corporation in Virginia. In 1936 he became affiliated with the claims department of the Travelers Insurance Company, Richmond, Va.

Mr. Barlow began his business career with the Champion Fiber Company in North Carolina. In 1930 he organized Hoff-Barlow Motor Company, Inc., to engage in the distribution of automobiles. This business was continued until 1943 when he severed his connection with this firm and entered the United States Marine Corps as an officer in the Motor Transport Department. He recently returned from the Pacific and is now on inactive duty with the United States Marine Corps.

NAM Prosperity Program

(Continued from page 930)

three possible developments which which could bring the post-war prosperity to a halt and create wide-spread unemployment. These three developments are:

"1. Mismanagement of the money and credit system, and the Federal debt, in ways which convert prosperity into an inflationary boom, thereby creating strains and stresses which must inevitably lead to a collapse of prices, production and employment.

"2. Granting or perpetuating special privileges which hinder production or prevent the flow of goods and services to final consumers at reasonable prices, thereby creating a lack of balance between various groups or various sections of the country.

"3. Prevention of an adequate flow of private capital into productive, job-making activities, thereby making it impossible to have that growth of capital resources which is necessary to provide increased production and jobs for our growing population."

"If we can keep our economic system free of these three developments, and do not suffer from an international catastrophe or great natural disaster," asserts the NAM, "we can assure permanent prosperity in this nation in the post-war era. That is the point which must be kept uppermost in our minds. Only by thus concentrating our attention to these specific purposes can we keep our thinking from becoming cluttered up with pet prejudices and 'reforms' which, while perhaps important and desirable in themselves, merely introduce areas of disagreement which have no relation to the fundamental problem of permanent prosperity."

Financial Proposals

The positive recommendations, in the financial field are outlined as follows:

1. **We must have a stable, clearly defined monetary unit.**

This can be accomplished only by having our monetary unit based upon, and defined in terms of, metal, which in this country means gold. And to assure continuation of that stability which is so essential for planning of our domestic affairs and for carrying on orderly international economic relations, the gold content of our currency must not be subject to change by administrative decree.

2. **We must have definite limits placed upon the credit expansion powers of our commercial banks.**

Over the years several methods of such control have been used. The one which has proved most satisfactory has been the legal requirement that banks must maintain a stipulated reserve against their deposits. This method is accepted American procedure, but since 1918 there has been an increasing practice of changing reserve requirements whenever they begin really to restrict credit. This practice must be abolished. It does no good to have legal limitations on credit expansion if the limitations are removed every time they begin to be effective. For the future we need to establish those legal reserve requirements which are necessary for safety and then hold to these limitations.

3. **We must make interest rates serve as a guide to the degree of strain to which our financial system is being subjected.**

Interest rates serve two great and fundamental functions in the economic system. First, they are the price at which the supply of funds available for lending and the demand for such funds are brought into balance, and second, they indicate the relative degree of risk, or the relative attractiveness of different uses to which funds may be put. These functions cannot be performed unless the interest rate is free to move up or down as conditions warrant. In recent years—or since about the middle of the 20's—an increasing effort has been made by our Federal Reserve officials and the Federal Government to eliminate such free movement of interest rates. This has had the effect, on the one hand, of removing one of the prime indicators of approaching financial storms, and on the other hand, of preventing the flow of funds being determined by the relative risk involved. For the future we must restore the free functioning of interest rates and thereby permit free competitive forces to determine the distribution of the available supply of loanable funds.

4. **We must make the banking system serve as a handmaiden of our economic system, not permit it to attempt to control the volume of business activity and employment.**

History offers many examples of efforts to use the money and banking system as a mechanism for controlling the volume of business activity and employment. Every such effort has resulted in economic troubles of more or less major proportions. For the future we must see to it that banks in their credit policies merely reflect existing economic conditions, not permit them through the extension or withdrawal of credit, to attempt to increase or decrease the volume of business activity. In practice this means the elimination of the idea, which has been so prevalent since the First World War, that there is some given volume of credit which is desirable regardless of existing underlying conditions, and then forcing this volume upon the economy without regard to other considerations.

5. **We must get the public debt into the hands of those who will hold it as a permanent investment until the bonds mature and are paid off.**

With a public debt of some $300,000,000,000 it is imperative that we prevent sudden and large shifts in the ownership of the bonds representing this debt. This is because such sudden and large shifts would subject our financial system to strains which it could not endure. In practice the prevention of such shifts involves having the public debt represented by bonds of a maturity and interest rate which appeals to investors as a desirable form. To accomplish these financial reforms, the NAM recommends "that Congress create a special committee of experts to re-examine the whole money, banking and public debt problem and report specifically on what legislative changes are needed and what policies must be followed by the banking authorities in order to assure that we shall realize the maximum benefits from our money and credit system, but will not again have our whole economic system thrown into a depression through mismanagement in the financial field."

Treatment of Special Privileges

The recommendations relating to special privileges such as monopolies, tariffs, subsidies, agricultural favors are stated, in part as follows:

The granting and perpetuation of special privileges is important not only as a cause of serious economic disturbances, but as well because their presence quite properly leads to widespread criticism and dissatisfaction with the functioning of the economic system and thereby endangers our political and economic freedom. Such expressions as excessive profits, putting property rights above human rights, production for use instead of for profit, inadequate purchasing power in the hands of the public, and so forth, all have their origin, or at least gain support, because of the existence, or presumed existence, of special privileges.

We cannot maintain permanent prosperity in this country on the basis of special favors, first to one section and then to another. And we cannot maintain permanent prosperity by trying to balance the special favors given one group by equal favors to some other group. We must have as our national policy the elimination of all special favors and all special privileges.

In practice this means, as it relates to various parts of our economy:

1. **On monopolistic conspiracies which reduce production, restrict markets, or keep prices above a fair competitive level.**

Such conspiracies may occur at any stage in the productive process. But they all have one thing in common. This is that they are designed to free the participants from the rigors of competition and thereby enable them to set a price for their goods or services in excess of that which would prevail in a free competitive market.

Every such conspiracy, thus, by its very nature is contrary to the public interest. There is no such thing as a socially desirable conspiracy in restraint of trade, and this is equally true regardless of whether they are in industry, finance, marketing, agriculture, or labor, whether they are formed by private concerns acting individually or under direction of government, and whether they apply to the domestic or foreign field.

In a program for permanent prosperity we need only one basic provision. This is that all conspiracies in restraint of trade, regardless of their scope, regardless of their form, and regardless of their sponsorship, must be effectively prohibited.

Present policies obviously are not adequate to accomplish this purpose. We recommend therefore:

a. Vigorous and impartial enforcement of the "anti-trust" laws no matter how important economically or politically it is who thus gets hit.

b. Legislation compelling the recording in the U. S. Patent Office of all patent agreements, both existing and future, and both domestic and international, except those covering simple non-exclusive licenses and exchange of licenses.

c. That the Federal Government seek to enter into agreements with other nations which will prevent the operation of all cartels which attempt to control production, distribution, or prices.

d. That Congress prohibit all closed labor unions, or that is unions which refuse to admit properly qualified workers as members.

2. **On Tariff.**

Opinions on the desirability or necessity of a protective tariff cut across all major groups in the nation. Some businessmen favor high tariffs, others low tariffs. The same is true among farmers and labor. Even in each of the major political parties there no longer is agreement on tariff policies.

Nonetheless everyone can agree on four facts of basic importance in the determination of our future tariff policy. These are:

a. As the world's greatest creditor nation we have a responsibility for leadership in attempting to free international trade of needless barriers.

b. That regardless of what we may do, many other nations will maintain tariff barriers against us.

c. That some nations almost certainly will attempt to take advantage of any concessions we make in the way of tariff adjustments.

d. That for over a century our economy has developed behind tariff walls and, in spite of any theoretical merits of free trade, it may be impossible as a practical matter within the foreseeable future to eliminate all tariffs.

In harmony with these facts we recommend:

a. That our over-all national policy be one of gradual reduction of protective tariff duties, the reductions in each case to be continued to that point which will maximize production and consumption under competitive conditions in the United States. The rate of reduction should be such that it does not unduly disrupt our domestic trade and employment.

b. That we continue to regard the tariff as a proper means for protecting American industry, American workers, and American agriculture against "dumping" of foreign products in our markets, and all other forms of unfair competition.

c. That we use either the tariff or subsidies, whichever Congress determines is the more economical method, for assuring an adequate production of those items essential for military purposes.

3. **On subsidies.**

The first point to note in connection with a program designed to eliminate subsidies is that it may be necessary to the public welfare to have certain parts of the economic system supported in order to assure adequate production of certain items for military purposes.

The second point is that whenever any part of the economy has been the beneficiary of government aid over a long period, it may be disastrous to eliminate the entire amount of such aid in one fell swoop.

The final point is that it is politically impossible and economically unjust to start a program of removing subsidies if, at the same time, new subsidies are being extended to other groups or other sections of the nation.

To meet these three conditions we recommend:

a. That the appropriate Congressional committee make the necessary study to recommend what subsidies are essential for strictly military purposes.

b. That Congress immediately initiate a program for the systematic elimination of subsidies from the economic system, and that this program be carried forward as rapidly as possible without unduly disrupting our domestic trade and employment.

c. That Congress establish as a firm policy the rejection of all demands for new subsidies unless it can be shown beyond question that they are necessary for the military safety of the nation.

Agriculture

Regarding agriculture, the recommendations are:

1. Increase the demand for farm products.

2. Keep on the farms only that number which is needed to produce the volume of agricultural products for which there is a demand at a price which will yield to the producers a satisfactory income.

3. Assure that flexibility in farm production and prices which is necessary to keep farming in broad economic and profitable balance with the remainder of the economic system.

Problem of Labor

Urging that labor be subject to laws and regulations in the way that government has regulated "unfair business practices," the NAM states:

Much of the existing labor legislation is based on the principle of special privileges for labor. In recent years, these laws and their administration have created a situation which has operated against the public interest and has, in specific respect, retarded production and has curtailed jobs. They need revision to fit the conditions we now face in the reconversion and post-war periods, revision which will eliminate the special privileges granted labor while, at the same time, protecting labor rights.

We therefore recommend legislation to correct existing labor laws to provide for specific responsibilities and obligations for labor as well as management; to regulate union practices which restrict efficiency and maximum production or limit job opportunities; to prohibit the unionization of management members (foremen and higher levels of management); to require that labor unions, as well as management, abide by their collective bargaining contract; and to protect individuals in their right to work.

Private Capital and Job-Making

The NAM program further contends:

The problem of assuring an adequate flow of private capital into productive, job-making activities is to establish and maintain those conditions which, first, promote and make possible the accumulation of substantial savings, and second, lead to such savings being invested in sufficient volume to give us a high and increasing level of production and employment. A vital corollary of this second aspect of the problem is that there be smooth-running and efficient capital markets and security exchanges.

Obviously, if we have tax laws which eat up all business profits or which leave individuals nothing above what they need for their living expenses, there can be no accumulation of savings. And it is equally obvious that if the policies and attitude of government are such as to destroy confidence in the future, those with surplus funds will tend to hoard them rather than invest such funds in private, job-making enterprise.

Confidence alone, however, is not sufficient to assure an adequate flow of private capital to maintain permanent prosperity. We also must have a tax system which permits the accumulation of savings and which leaves from successful investment enough earnings to make those with savings willing to risk their funds.

The present tax system, partly because of the war and partly because of underlying tax policies, does not meet this standard. Therefore we recommend the following:

1. The income tax rate should be held to a level which will not needlessly discourage individual endeavor. It is not possible to set one figure and say that under no condition should the individual rate exceed this, but, obviously, it is unwise to have rates so high that, through discouraging investment, they diminish the revenue to the government, and it is evident long before the rate on the top bracket has reached 50% job-making investment is discouraged.

As a matter of public policy it is desirable to bring the largest practical proportion of income earners under the individual income tax and in this way make a substantial number of our citizens aware by direct taxation of the cost to them of their government.

2. Eliminate burdensome excise taxes and all so-called indirect taxes except those necessary to provide a reasonably stable base for the tax system as a whole, such as may be obtained by taxes on such items as tobacco and alcohol. Present indirect taxes bear disproportionately heavy upon those of low incomes, and further, since they are hidden, tend to keep these individuals from realizing the total tax load they are carrying.

3. Taxes on capital gains discourage productive, job-making investment, tend to destroy the liquidity of markets, thereby adding an element of rigidity to the economic system which tends to create unemployment, and introduce an element of great instability into the tax system as a whole, and should ultimately be eliminated.

4. Taxes on corporation business should be set below the point of discouragement. A nation-wide poll of businessmen conducted by NAM indicated that the highest income tax rate corporations can pay in peacetime without discouraging the incentive for greater production and employment, is 25%.

Fiscal Policy

The program of the NAM concludes with a statement on fiscal policy, to wit:

Before the First World War, and to a lesser extent even during the 20's, the total volume of government spending was so low in relation to the national income that a certain amount of extravagance, although undesirable, was not a crucial issue in the functioning of our economic system. That situation no longer prevails. Today, even with the utmost economy in government expenditures, the tax load is so heavy that it is a direct and powerful drag upon the income of all of us, no matter in what income group we may be.

It is imperative, therefore, if the progress of our country is to be continued and we are to enjoy permanent prosperity, that all non-essential government expenditures, Federal, State and local, shall be eliminated and a policy of rigid economy adopted in all governmental activities.

Likewise it is imperative that, when war expenditures come to an end, the Federal budget be balanced, and balanced at a level which will enable us to have a healthy and prosperous economy, that as a general policy the budget be kept in balance, and that the public debt be reduced as rapidly as is consistent with the following of sound tax policies.

Aid in Rebuilding Greece Reported Pledged

President Truman according to special Washington advices to the New York "Times" on July 5 assured John Sofianopoulos, the Greek Foreign Minister, during a conference on that day, that the United States would assist Greece "in every feasible way" in reconstruction. The advices also had the following to say:

The Minister was one of several who have attended the San Francisco Conference and who were received successively today by the President. One Prime Minister was also received.

He was Faris Al Khoury of Syria. The Foreign Ministers included Jose Serrato of Uruguay, Carraciolo Parra Perez of Venezuela, Manuel A. Pena of the Dominican Republic, Camilo Ponce Enriquez of Ecuador and Gerard E. Lescot of Haiti.

'Full Employment Bill' Ineffective

(Continued from page 935)

time production and cut the working week to 33 hours, we shall still have 13 million unemployed. There is nothing whatever in the Murray Bill to prevent this.

It assumes that with a little aid from a benevolent government, private capitalism, after the profound dislocations of the war, can provide a full employment which it did not provide in America or anywhere else before the war. The economic consequences of attempting to deal with unemployment by boondoggling or made work which does not interfere with private profit are thoroughly bad as we learned in the decade of the '30s. The political consequences to democracy will, if anything, be worse. Instead of setting up a working system in which there are jobs for all able-bodied adults who desire them, the Government becomes a dispenser of the ancient dole of bread and circuses to the unemployed. It is understood that the voters will not shoot Santa Claus, and moreover that they will choose the most likely Santa Claus among candidates. This is the situation which jeopardizes intelligent democracy. It makes citizens dependent upon government.

By contrast, we democratic socialists insist that the masses of the people have so many unsatisfied wants that there is no excuse for unemployment. Full employment is a matter of increasing at one and the same time the production of goods and the spending power of American families. In peacetime it does not require the arbitrary regimentation and excessive bureaucracy of wartime.

The major principles on which we insist are these:

1. The commanding heights of a modern economic order, the great natural resources, the system of money, banking and credit, and the operation of monopolies or semi-monopolies, including public utilities, must be socialized so that they can be used directly for the good of all rather than for the private profit of an owning class, increasingly of absentee owners. This public control is by no means to be exercised on the model of the Post Office (which after all we prefer to the American Railway Express) but through public corporations on which will be represented the consumers and those who invest their labor of hand or brain in the particular industry.

2. Outside of this field of monopoly we want to create a Full Employment Finance Authority which will lend money to stimulate production by non-profit-making corporations and consumers' cooperatives. Not only would such a government authority offer a job budget, but it would also indicate the areas, functional and geographic, in which new enterprises might be started. This authority would make available to non-profit member corporations money at the same rate at which the government itself can obtain it. Investment in new enterprises would be of public concern and geared directly to the people's needs rather than to the preservation of private profit. The operating agencies would not be government bureaus. This plan is essentially democratic as no other plan has been, in that it helps the people to help themselves. We understand that a bill embodying these principles is to be presented to Congress by a committee organized for this specific purpose.

3. The annual outlay, which must match production in order to keep things going, will have three major elements: (a) expenditures in support of government agencies and public works of general advantage; (b) investment in the expansion of non-profit and cooperative enterprise; and (c) direct consuming power of farmers and workers. This last element is of the utmost importance.

Family incomes in America must be raised at least 50% to permit the people to take the place of war as the great consumer of goods. This is a matter primarily of wage increases, matched by increased production. It is also a matter of a far more adequate system of social security from the cradle to the grave with allotments as a matter of right to children and elder citizens.

It is only along these lines that poverty and unemployment can be conquered. I ask that your Committee carefully consider it. There is no time to be lost.

Text of Telegram from Senator Wagner:

Harry Fleischman, National Secretary, Socialist Party, 303 Fourth Avenue, New York City.

As result of President Truman's request for immediate action on full employment bill regret that no additional time can be made available for personal testimony. However statement for the record can be left in my office any time.

ROBERT F. WAGNER,
Chairman Banking and Currency Committee.

N. Y. Wool Exchange Elects Officials

Wool Associates of the New York Cotton Exchange, Inc., announce the election June 4th of the following slate of officers and members of the Board of Governors for the 1945-46 term: President, Bernard J. Conlin, New York City; First Vice-President, Albert W. Hilliard, Boston, Mass.; Second Vice-President, Lawrence P. Hills, Boston, Mass., and Treasurer, Benedetto Lopinto, New York City.

Governors—B. Harrison Cohan, J. Davis, Tinney C. Figgatt, Arthur N. Gorham, Joseph P. Henican, Jr., Frank J. Knell, Stanley H. Lawton, Max W. Stoehr, Philip B. Weld, Arthur O. Wellman and John M. Williams.

President Bernard J. Conlin succeeds himself in office. He served during the 1944-45 term. Albert W. Hilliard and Lawrence P. Hills and Benedetto Lopinto also were elected to serve their second term. J. Davis and John M. Williams are new members of the Board of Governors, replacing Marland C. Hobbs and Robert J. Murray.

Mutual Funds

"All The World's A Stage"

"Accepting Shakespeare's expression that all the world's a stage and its men and women merely players, the curtain has just rung down on the most resounding act of all the ages," writes **Lord, Abbett,** in a current Investment Bulletin on **Affiliated Fund.**

Charts based on the theory that the record of the past is the best guide to what lies ahead, are presented as an aid to the investor in gauging the future.

One set of charts shows the actual relative levels of national income, industrial production and stock prices before, during and after World War I. **"In each case the average for the postwar decade was substantially higher than either the war-time peak or the pre-war level."**

The second set of charts presents the pre-World War II averages, the wartime peaks and estimates for the 1945-55 decade arrived at by taking the same percentage relationship to prewar levels as prevailed after World War I. "Even so stated, the suggested post-war averages for national income and industrial production are well above any previously attained in peacetime years."

Tobacco Stocks for Income Buyers

In a covering letter to dealers on a new **Tobacco Shares** folder, **Distributors Group** calls attention to the outstanding investment characteristics of leading tobacco stocks. The record of stocks in this class, the letter points out, rivals that of bonds in conservatism. Four important facts are highlighted:

"Stocks of leading tobacco companies:—

"1. Have unbroken records of earnings and dividend payments running from 30 to 40 years.

"2. Have proved to be more depression-proof than many types of bonds.

"3. Offer price appreciation possibilities—protection against present inflationary trends—that bonds wholly lack.

"4. Provide generous return today with excellent prospects for postwar increases in dividends."

Investment Status of Medium Grade Bonds

A chart showing earnings protection for 35 minimum-grade bonds is presented in **Keystone Corp.'s** current issue of Keynotes. The chart covers the period from 1936 to 1944 inclusive and Keynotes points out that during this nine-year period the companies earned their interest charges 1.75 times on average. During the past four years interest coverage averaged 2.35 times.

"Some of this improvement, without doubt, is due to war conditions. But there has been a vast improvement in the financial condition of many companies in this group. Near-term debt has been paid off, high-coupon bonds have been purchased in the open market, sometimes at considerable discounts, and working capital has been strengthened.

"Most of these companies will, therefore, go into the postwar period much stronger than they were prior to the war."

Excess Profits Taxes on 300 Stocks

The first progressive step, reports **National Securities & Research Corp.** in the current issue of Investment Timing, towards lifting the tax load which business and industry have had to carry during the war period was marked by the recent passage of the interim or Reconversion tax bill. This bill raises the excess profits tax specific exemption from $10,000 to $25,000 and also permits corporations to apply against current taxes the 10% credit on the excess profits tax paid.

A tabulation gives the 1944 excess profits tax per share, 1944 earnings per share and current market price for 300 companies.

The article concludes:—"With the reduction or elimination of the excess profits tax after this year, more normal business earnings conditions will be restored. Companies whose pre-tax earnings are well-maintained as compared with wartime results, and which paid large excess profits taxes, will benefit by carrying through of a larger proportion to net earnings."

The Railroads

Calvin Bullock's latest Perspective gives a detailed analysis of the railroad industry as to its investment merits. The report reviews the market action of railroad bonds and stocks during past periods and discusses a number of "sobering factors" which should be given careful consideration by the investor.

"It is not possible," continues the bulletin, "to appraise all of the favorable and unfavorable factors affecting the railroad industry today primarily because the answer to many questions and the solutions to many problems must await the passage of time. However, barring any seriously adverse developments the railroads should be able to operate at substantial profit in the postwar period when industry in general will be filling the orders for huge quantities of all types of civilian goods. . . .

"There is ample evidence to justify the renewal of investor faith in the better situated rail securities, and carefully selected rail bonds and stocks should provide a satisfactory investment experience over the longer term."

Boston Fund

The Boston Fund reports total net assets of $15,863,147 on July 31, 1945, equal to $19.97 per share on the 794,187 shares outstanding. This compares with total net assets of $12,746,609 or $17.82 per share on the 715,211 shares outstanding on July 31, last year.

"Green Light"

In a current bulletin on **National Selected Groups Series,** the sponsor, **National Securities & Research Corp.,** briefly sketches the existing situation in the light of latest developments for four major industries, namely, automobile, building, household and office equipment and railroad equipment.

All four industries, according to the report, will have little trouble reconverting and, what is more important, they have peacetime customers who need their products on a scale never before realized and who have the funds to buy them.

Aviation's Great Future

In this week's Current Considerations, **Hare's Ltd.** discusses the future of the aviation industry. The bulletin calls attention to the strong upward trend of commercial flying, the advanced designs soon to be produced and the continuing aircraft requirements of the Army and Navy as being among the many favorable influences with respect to the aviation industry's bright future.

Mutual Fund Literature

National Securities & Research Corp.—Current bulletin on **National Speculative Series.** . . . **Keystone Corp.**—Inserts for Supplements to the General Prospectus for **Keystone Custodian Funds, Series S-1 and S-3.** . . . **Lord, Abbett**—Latest issue of Abstracts; Investment Bulletin on **Union Common Stock Fund.** . . . **Calvin Bullock**—Current issue of the Bulletin; revised folder entitled, "A Brief Description of **Dividend Shares."** . . . **Selected Investments Co.**—Latest copy of "These Things Seemed Important." . . . **Hare's Ltd.**—Folders on **Aviation Group Shares, Bank Group Shares** and **Insurance Group Shares of Institutional Securities, Ltd.** . . . **Broad Street Sales Corp.**—Current issues of the Letter and Items.

Bernard Aronson Co. Will Admit Hall and Hardiman

Matthew J. Hall and Frank J. Hardiman will be admitted to partnership in Bernard Aronson & Co., members of the New York Stock Exchange, as of Sept. 5. Mr. Hall was formerly a principal of M. J. Hall & Co.

Bernard Aronson & Co. will be located at 11 Wall Street, New York City, after Sept. 1.

Great Northern Bonds Won by Halsey Stuart Group—Reoffered

A large group of underwriters headed by Halsey, Stuart & Co., Inc. won the award on Aug. 28 of $75,000,000 Great Northern Railway general mortgage bonds and immediately reoffered the securities, consisting of $37,500,000 series N 3⅛s due Jan. 1, 1990, and $37,500,000 series O 3⅛s, due Jan. 1, 2000. The series N bonds are being offered to the public, subject to Interstate Commerce Commission approval, at 100% and the series O bonds are being offered at 99.35%, plus accrued interest in each case.

Net proceeds from the sale of the bonds, together with company funds to the extent required, will be applied to the retirement of $86,956,000 aggregate principal amount of general mortgage bonds as follows: to the redemption on Jan. 1, 1946, at 104% and accrued int., of $50,000,000 3¾% bonds, series I, due 1967, and to the redemption on July 1, 1947, at 105% and accrued int. of $36,956,000 4½% bonds, series E, due 1977.

Upon completion of the sale of the series N and O bonds, and application of the proceeds, the Great Northern's funded debt will have been reduced by $103,371,131, or 30%, since 1935. Interest on the funded debt will have been cut an estimated $10,165,000 or 54%, in the same period.

Railway operating revenues for the first half of this year were $98,695,166, and income available for fixed charges was $13,606,894, including dividend from Burlington of $2,075,448. This compares with $98,417,835 and $12,252,244 for the first half of 1944.

The supplemental indenture will provide for an annual sinking fund payment each July 1, commencing with 1947, as long as any of the series N or O bonds are outstanding in the hands of the public, or $375,000, or the Company's net income for the previous calendar year, whichever is smaller.

The bonds are redeemable, at the option of the Company, at prices ranging from 105% to par for the series N and 104⅜% to par for the series O, and are redeemable through the sinking fund, at prices scaled from 102% to par for the series N, and 101⅜% to par for the Series O, plus accrued interest in each case.

The Great Northern is one of four transcontinental railroads reaching the Pacific Coast in the Northwest United States, and owns 7,911 miles of road in Wisconsin, Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington, Oregon, California, and British Columbia. The Great Northern and the Northern Pacific Railway each owns 48.59% of the capital stock of the Chicago, Burlington & Quincy RR., which operates 8,964 miles of road, and in addition, the Great Northern owns half the capital stock and bonds of Spokane, Portland & Seattle Railway.

Charles Truesdell Has Rejoined R. S. Dickson

CHARLOTTE, N. C.—Charles L. Truesdell has rejoined R. S. Dickson & Co., Inc., Wilder Building, after 44 months in service. Mr. Truesdell was overseas for 22 months as a navigator on a B-24 in the Pacific Area, where he flew 55 missions. He was a captain when placed on the inactive list and had the Air Medal with two clusters, Pacific Area Campaign Ribbon with six stars, and the Philippine Liberation Ribbon with two stars.

Mr. Truesdell will be Assistant Manager of the municipal bond department for R. S. Dickson & Co.

SEC Hearings on NASD By-Law Amendments

(Continued from page 931)

masse and did not give those desiring to do so an opportunity to vote separately on each amendment.

He further contended that under the Maloney Act only NASD members were subject to disciplinary proceedings and that there is no authority in the Act for the proposed registration of salesmen, traders, etc., which the NASD is now attempting to effect.

Answering the arguments of the proponents, he contended that the attempt to create a schism between salesmen and traders and their employers upon the alleged ground that salesmen and traders as a group are dishonest cannot possibly find any support under the facts. He claimed that salesmen and traders as a class are no more honest or dishonest than their employers. He stressed the fact that the ballot, contrary to the by-laws of the NASD, was not in fact a secret ballot and that there was official interference with voting in the form of pressure brought by the Board of Governors and its representatives.

Certain exhibits bearing upon the NASD by-laws were introduced in evidence and upon request made, the Commission is keeping the record open for a period of seven days in order to complete the record.

Rulings

The Commission was asked by Mr. Kole to rule on the following matters: (a) his request for leave to file a brief, (b) the taking of testimony on the subject of alleged NASD Board interference with the balloting and (c) that the operation of the proposed amendments be stayed until the Commission shall have rendered their decisions and entered a formal order therein.

Others Present

Amongst the observers were L. A. Gibbs, of Laird, Bissell & Meeds, of New York City, who acted as an observer for the National Security Traders Association and the Security Traders Association of New York, and James A. Duncan, Jr., of J. R. Williston & Co., of New York City.

Woodrum to Leave House After 23 Years

Representative Clifton A. Woodrum (D.-Va.) will not seek reelection next year but will retire from the House after 23 years of service when his present Congressional duties have been completed in order to become President of the newly organized American Plant Food Council, it was announced from Washington by special dispatch to the New York "Times" on July 31. The Council, formed in March, represents all divisions of the fertilizer industry, including farmer co-operatives. Mr. Woodrum's appointment becomes effective September 1.

According to the "Times" report, Mr. Woodrum is ranking majority member of the House Committee on Appropriations, as well as Chairman of the Select Committee on Post-war Military Policy. A vigorous supporter of the Administration's foreign policy, he was for some years before Pearl Harbor an active leader in the movement to accelerate military preparedness. He was voted one of the five ablest men in Congress in a poll held recently among Washington newspaper correspondents.

Railroad Securities

Some Railroad Fundamentals—C. & O. Merger GN Refunding

The outstanding developments of the railroad market in the past fortnight have been (1) the extreme severity of the decline in both stocks and bonds, (2) news of the proposed merger of Chesapeake & Ohio, Pere Marquette, Nickel Plate and Wheeling & Lake Erie and (3) the decision of the directors of Great Northern to go through with their refunding operation despite the declining tendencies in the bond market.

As measured by Dow-Jones indices, railroad bonds at recent low levels declined some 9% from their June recovery level, defaulted rails approximately 20%, and 20 railroad stocks a little less than 20%. In some individual instances the reaction was particularly severe, extending beyond 40%.

Although a reaction was clearly foreshadowed as a result of the increase in margin requirements by the Federal Reserve Board some six weeks ago, the severity of the recent reaction was entirely unexpected, in view of the industry's favorable fundamental outlook. Other than technical reasons, presumably the most important factor in the sharp reaction was the remembrance of investors of the market collapse of railroad securities in 1931 and 1932, and again in 1938 following the recovery of 1937. Overlooked in this reasoning are the substantial financial improvements of recent years, as marked by an overall decline of debt of some $3.5 billion, an overall decline in fixed charges (allowing for full completion of Section 77 reorganizations) of some 30%, and of a strengthening current financial position whereby working capital of $1.8 billion compares with an average of only $200 million during the depression 30s, and $500 million in the prosperous 20s. Even this strong working capital position is understated in that the industry will of necessity benefit from the carryback provisions of the 1942 Revenue Act and from the accelerated amortization of the unamortized facilities now being written off on a sixty months basis.

Also overlooked is the fact that the end of the war has come at a time when the industry has an excellent earnings cushion, with any immediate contraction of gross or net income borne largely by carrybacks against excess profits taxes paid for the first eight months of this year. As a result of these tax carrybacks, net earnings for 1945 will in all likelihood equal those of 1944, which were eminently satisfactory.

Admittedly the railroad industry does face serious post-war problems in the form of more intense competition from trucks and airlines and even from water competition, both coastwise carriers and inland barge lines. It also faces probable increases in wage rates, to the possible extent of 7%. The latter, however, will in all probability be offset in part, if not in their entirety, by an increase in freight rates, since the ICC in effect has a greater vested interest in the railroad situation than ever before, having already reorganized some ten important Class I carriers, with plans for reorganization of some 20 additional carriers under their jurisdiction.

If, as generally expected, we are to have a building boom of a decade's duration during which some 12 million houses will be erected, and if merely to fill the accumulated deferred demands of the war period we are to have a series of years in which automobile production will equal six million cars, and if the electrical equipment industry will produce for a series of years an output equal to that of 1941, then it is reasonable to expect railroad revenues of 50% more than in the depression 30s.

In fact, we envision gross revenues declining no more than 40-45% below the levels of the last 12 months. If this estimate proves correct and if we further assume total elimination of excess profits taxes and retention of normal and surtaxes at the rate of 40%, then earnings of the next three to four years should approximate the recent earnings peak established after payment of heavy excess profits taxes. The action of the market itself seems to controvert this optimistic forecast, but again we believe that in retrospect sellers of railroad securities will have misjudged the rails' ultimate potentialities just as has been the case since 1940.

The proposed C. & O. merger is of sufficient importance to justify an article in itself. Space limitation restricts our comments to one important phase. In the past decade or more, C. & O. has enjoyed investment esteem because of its relatively stable earning power. With the elimination of excess profits taxes virtually assured, Chesapeake & Ohio should be able to earn $5 per share in the post-war year without making any allowance for excess earnings flowing through from PQ, NKP and Wheeling. Excess earnings of these properties could conceivably augment C. & O.'s earnings by some $2 or $3 per share, provided potential economies are actually realized. Investors, however, should recognize that the new System's earning power will reflect a greater degree of cyclical fluctuations and the new stock is not likely to enjoy the same investment esteem as previously, because of the loss of its previous earnings stability. Accordingly, instead of capitalizing overall earnings of the new C. & O. System equity on a 13 or 14 times multiple, a more realistic multiple recognizing the inclusion of a more variable earnings factor would probably be 10 or 11 times.

On Aug. 28 Great Northern accepted a bid of 98.5679 for $75,000,000 3⅛% bonds, thereby com-

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The Securities Salesman's Corner

By JOHN DUTTON

The brave, post-war world is here! All the plans that have been made and talked about, as well as the planners and talkers themselves, are now face to face with REALITY. Well, we'll see what we shall see.

As far as the securities dealer is concerned he has one problem—it is the same old story over again—WHAT IS THE BEST WAY TO KEEP AND HOLD ON TO HIS CUSTOMERS? The writer of this column makes no pretensions regarding his abilities as an economist. However, since he has spent the last 20 years of his life selling securities to his customers, certain facts now stand out that are gleaned from the experiences of the past. This is true because anyone who has conducted a retail business in securities during the past two decades must have had some practical experience in PICKING THE RIGHT SITUATIONS AS WELL AS SELLING THEM. The proper selection of securities which a dealer offers to his clientele, depends upon a combination of factors, AND AN UNDERSTANDING OF POLITICS, INTERNATIONAL AFFAIRS, MONEY RATES, GOVERNMENTAL FISCAL POLICY, LABOR TRENDS, AND PUBLIC PSYCHOLOGY, AS WELL AS THE ABILITY TO ANALYZE INDIVIDUAL SECURITIES. This may not make an economist out of a securities dealer but it does mean that if you are a successful securities man, you must be right more often than you are wrong in judging SECURITY VALUES. The acid test of your predictions in this business is PERFORMANCE.

The way it looks to this writer as far as the future is concerned is as follows: The future is clouded in uncertainty—more so than at anytime that we can remember. As far as we are concerned our watchword from now on is "BE ALERT." Be ready for change—take nothing for granted—skip the headlines and try and get at the underlying factors which will change from month to month, and possibly day to day. Don't go overboard for slogans, cliches; the promises of politicians or the rosy dreams of the planners. Be optimistic but careful! This world ECONOMICALLY SPEAKING is in the greatest mess in its history. Europe is busted; political chaos rules in Spain, Bulgaria, Rumania, Yugo Slavia, Greece, etc. England with its new labor government is already lerning that it will take more than Mr. Laski's bubble-pipe to bring them out of their financial and economic miseries. A great wave of post-war lending to Europe (just like the situation after the last war) is once again relied upon to build up a post-war, world-wide prosperity. (Only this time the government knows that private individuals who were the suppliers of these funds in the twenties) won't do it again; so they are giving us Bretton Woods and the Export Import Bank who will do the job at the expense of all the citizens of the country). India, China, the rest of Asia, with their teeming millions of poverty stricken natives, are seething with potential civil war and unrest. And Russia is still the "A-number-one" enigma of the world.

Here at home we have a great backlog of unsatisfied wants—we need millions of new homes, cars, planes, new machinery, and the rehabilitation of our railroads—also consumer goods in almost every category. But we have a great debt—the banks are loaded with government bonds—credit expansion possibilities are awesome in their implications. The administration now in power will have its eye on the coming elections—more spending is still the cry of the vote catchers, AND THE HUGE TAX BURDEN NOW CARRIED BY THE INDIVIDUAL, AS WELL AS THE CORPORATIONS OF THIS COUNTRY, STILL ACTS AS THE GREATEST DETERRENT TO BUSINESS EXPANSION WHICH IS FACED BY THOSE WHO CREATE THE JOBS, AND UPON WHOM THE BURDEN OF PROSPERITY AND EMPLOYMENT ULTIMATELY DEPEND.

Summing up—as far as we are concerned—in our office we are going to be careful. We are going to pick the securities that we believe are going to perform well **within the coming year.** We are not going overboard on anything. We are going to sell our customers common stocks that have possibilities for price appreciation—we don't care whether they are selling for .50¢ per share or $200.00 per share as long as they represent VALUE. We are going to be ready to change over entire portfolios at a moments notice. We are in this business to sell THE RIGHT SECURITIES AT THE RIGHT TIME, and we don't care whether they are speculative common stocks, preferred stocks (with or without accumulations), medium grade bonds, or high grade bonds (which we don't like now). In other words, we know we are in a world that has gone cock-eyed, but our business is keeping our customers—and if we have to throw the rule book away to do it, that's exactly what we'll do.

On the battlefronts of the world the war has ceased—on the economic battlefronts it has just begun!

Scott Elected President Of Amer. Banking Inst.

David T. Scott was elected national President of the American Institute of Banking at a meeting of the executive council held in Cleveland on June 5. Mr. Scott is also Assistant Cashier of The First National Bank in Boston, Mass.

Also elected was George J. Greenwood, Jr., Assistant Manager of the Portland (Ore.) branch of the Bank of California, to the position of First Vice-President. This means that in all probability Mr. Greenwood will succeed to the presidency next year.

Dewey Calls For Democratic Economy and Lasting Peace

(Continued from page 933)

genius of a free society can out-produce a totalitarian society.

It has cost us a million casualties in the United States to demonstrate that principle. Hundreds of thousands of Americans have died. Many hundreds of thousands will be permanently scarred and disfigured for life. Families have been bereaved in every State of the Union. Our national economy has suffered tremendously. We have burned up hundreds of billions of national wealth which would otherwise have been available to the people.

We have incurred a debt so great that there are many who say no free government can carry that kind of debt. We have destroyed our resources of iron, of oil, and of lumber, and our natural resources of almost every other category to a degree never equalled before in any civilization.

So we face the future with some handicaps. But first of all we have to get our thinking straight. After we face this period we have to decide what kind of a country we want. There are those among us who say that government must now take over the job of running all life in America. There are those who wish, in short, to establish a totalitarian state in this country. They, of course, loudly proclaim and object to totalitarianism. They loudly say they are Anti-Nazi, which they are, but they would substitute by their insidious propaganda the proposal that we all softly relax upon the bosom of an all-powerful government. They would lead us gently into a totalitarianism from which we could never escape. Those people are, of course, the prophets of gloom and of doom. They point to the temporary unemployment of the reconversion period and loudly say that this is a time when government must take over management of all the affairs of men. Those people deny the very thing for which we fought and won this war. They would deny to America and bring to an end the great genius of freedom which made it possible for us to out-produce and out-fight the whole world. It was that genius that enabled us to produce the implements of war for all of our Allies, including Great Britain and Russia—to such a staggering extent that we overwhelmed the two war-like nations on earth, Germany and Japan.

Warns Against Totalitarianism

These prophets of gloom want us to forget the things we fought for in this war and establish a totalitarian government here which would in short negate the very thing for which hundreds of thousands of Americans died, and hundreds of thousands of others have sacrificed their bodies and for which some 15 million more Americans bore arms and gave up the flower of their youth. My answer to them is that we must not, we can not and we are not surrendering to their totalitarian ideas. Having won freedom we propose to keep it.

Now, therefore, what do we need in this State and nation to see that we do keep it? We need a few very simple things. First of all we need to get our thinking straight and decide that having won freedom we are going to keep it. Then we need that boldness, that spirit of adventure, of risk, daring and of courage on the part of our people with which we won the war. We need it first in our democratic civilian life, we need it secondly in our willingness to experiment, to go forward in a great world organization to keep peace.

We need a willingness to sacrifice. We need to stop bickering and quarreling and to go to work both for democratic economy and to keep the peace of the world for all the years to come.

Unfilled Needs

We have today in the United States the largest volume of unfilled needs in the history of the world. We need more of everything we know how to produce than we ever did before. We need an inestimable number of refrigerators and radios, of new freezer lockers, automobiles, flat irons, of hair curlers, of everything from electric bulbs to farm tractors. We have, in other words, the greatest unfilled need in history. We have the greatest skills in history. All we need are the men who are willing to go out and work for a system which will give them an adequate reward and freedom if they do it. First of all, then, we need men with courage, and willingness, to risk their savings and the boldness to plan and execute those plans. And, secondly, a government which, by its approach to our economic system, will reward this business of making good and making jobs and make it possible for us to achieve what is clearly ahead of us—the greatest productive era in the history of the world. We need this spirit in every branch of our economy. We need it in manufacturing. In New York State I believe we have it. We need it in small business, in agriculture. Right down in Pawling, a village of 1,200 people, three of the larger business establishments of that little town have gone out of business. Our hardware store closed, the biggest general store closed and the biggest filling station and garage closed.

We have in this State alone an estimated 100,000 small businesses to be created. We need 100,000 men with the sense and the courage and the willingness to risk their savings and create those small businesses, because the people of our State are crying for their services.

We need everything from the men who repair watches, which you can't get repaired now, to the men who operate gasoline stations, the roadside stands, the corner store of every kind and character, from shoe repair shops to the sale of dry goods. We have all the needs. All we need is the men to go out and fill them.

Then there is an incalculable gain in business and employment waiting, ready to be filled. The same is true with agriculture. We have made great strides in agriculture in New York in these last three years in processing, in our resources, in the artificial breeding of cattle, and in marketing. We have the need today only for the willingness to open our minds and face the opportunity to maintain this great production of food for a people which has learned to eat better food than ever before. Agricultural production is up some 30% since prewar years. We can eat every bit of that food if we will maintain the high standards of diet we now have. We need to avoid the malnutrition we found when examinations for the draft were taken. Now what can government do?

Reward Risk

Government can reward risks first. Secondly, it can create the atmosphere of friendship in which men can be encouraged to go forward and reconvert in every line of manufacturing to fill these great needs and keep courage to go out and start these 100,000 businesses that we needed in New York State alone just to serve our people. Third, we need a free attitude in our society; we need a willingness on the part of business, labor and agriculture and government and every other element of the society to work together. Fourth, we need a willingness on the part of everyone, business, labor and agriculture, to produce to the maximum because we cannot enjoy the future ahead of us unless we produce more and we have all the facilities to produce vastly more than we have had before.

We cannot achieve the high standards of wages and incomes which are clearly ahead of us unless we produce the goods to sell.

And, lastly, government can insure a fair deal for every element of our society. It can see to the extent that any government can that monopoly is prevented, that the information and service of the government are freely available, that they are efficiently made available. We can see that every man has his own opportunity in a free society.

Seaboard Finance Co. Securities on Market

A nation-wide banking group headed by Van Alstyne, Noel & Co. and Johnston, Lemon & Co. on Aug. 29 offered $3,000,000 5% 10-year sinking fund subordinated debentures maturing Aug. 1, 1955, and 70,000 shares of $1.50 cumulative preferred stock, series A, with attached common stock purchase warrants, of Seaboard Finance Co. The debentures are priced at 100 and accrued interest, and the preferred stock at $30 per share and accrued dividends.

Seaboard Finance Co. was organized in December, 1943, for the purpose of acquiring control of Seaboard Finance Corp. and Seaboard Finance Co. of Calif., now its two principal subsidiaries. The company and its subsidiaries are engaged in the personal finance business, making small loans to individual borrowers, and purchasing retail term sales contracts originating with furniture stores and automobile dealers. It is approximately fifth in size among the small loan companies in the country and operates 47 loan offices in 12 states.

Proceeds from the sale of these securities will be used to retire two classes of preferred stock of a subsidiary; to retire loans from certain officers and directors; and to reduce secured bank loans. It is anticipated that this financing will improve the credit of the company and its subsidiaries and make it possible for them to increase substantially the size of their bank loans, and, therefore, the volume of their business.

In addition to these issues of debentures and preferred stock, the outstanding capitalization of the company will consist of 590,039 shares of common stock, par value $1.

Gain in Deposits of NY Savings Banks

With a net gain in savings deposits for June of $86,275,221, the 131 savings banks of New York State report a six months' increase in deposits of 8.4% or $595,049,597. This represents net new savings for 1945 over and above people's war bond purchases, it was pointed out by the Savings Banks Association of the State of New York, on July 17 and is the largest six months' gain in savings bank history. The net gain in new savings accounts for the same period was 160,994 with the gain in June amounting to 23,091. As of June 30th total deposits were $7,710,947,323 and the number of accounts was 6,657,822.

U. S. and British Exchange Rates

(Continued from first page)

outlines of post-war international exchange policies begin to emerge.

Bretton Woods, to begin with, poses the principle of stabilization on gold. True, it permits a 10% change of the gold content of each currency, also concerted devaluation of all currencies, and occasional devaluations if a "fundamental disequilibrium" arises. Moreover, the member countries retain their full freedom of monetary manipulation until they enter the Fund, and recover it again if and when the International Fund's holdings of crucial currency ($2.75 billions) are exhausted, which may be the case in less than two years. Nevertheless, the principle of stability is at least proclaimed, with the implication that if it cannot be maintained the responsibility is with us: we are supposed to put in more dollars. We will, to be sure: $3.175 billions in the International Bank, $1.5 billions in UNRRA and $3.5 billions in the Export-Import Bank are foregone conclusions, with further $6 to $12 billions for Russia, $3 to $6 billions for Britain, and proportionate amounts for France, China, Holland, etc., under benevolent consideration.

So long as dollars are forthcoming in such a grandiose fashion, no "fundamental disequilibrium" can possibly arise. The intention, at any rate, is to hold the leading currencies at a gold par is apparent. The ability to do so—for some time—is unquestionable, too. Especially so in view of the fact that the outer-world holds some $20-odd billions in gold and dollar balances, and that it will be provided currently with many more billions through our prospective imports from and tourists to foreign countries.

All of which adds up to the prospect of a fairly general exchange "stabilization" for the next few years. This holds in the first place for our money: how could we violate the law which we laid down ourselves, overcoming British idiosyncrasies in favor of their national sacred cow, the unlimited right of exchange manipulation? The Soviets left no doubt from the outset about their preference for a gold standard. The British and French can be expected to live up to their commitment, once they swallow Bretton Woods. The sterling area is included and there will be no difficulty (for a while) with the gold-saturated neutrals and Latin Americans, nor, of course, with the occupied countries. That makes the gold standard practically unanimous, but...

What Stabilization Means

Stabilization and gold standard do not mean what they used to mean. That is made perfectly clear—for those who can read—in the Bretton Woods document itself.

It implies a "gold standard" of the type the Nazis have developed: the monetary unit kept nominally at the gold par, but actually non-existent in international relation. This is the sense of foreign exchange restrictions: that the country which indulges in them regulates the flow of international debits and credits by cutting down the former and thereby balancing its accounts with foreign nations. And this is exactly what the Bretton Woods program stands for, namely, a so-called transitional period of at least five years, to be lengthened at will, during which all war-time foreign exchange restrictions can be maintained and new ones introduced. In addition, obligations incurred during the transition period may be frozen forever; all (undefinable) capital movements may be put into the same strait-jackets indefinitely; and the members regain their full freedom of doing as they please once the dollars in the Fund are exhausted.

But the details are immaterial. The point is that for the next five, and possibly the next 25 years, the gold standard, on which everybody agrees, shall be non-existent. It will be a sheer fake and illusion, as good as the German mark was when Dr. Schacht bragged that it was the only currency left "on gold." But you risked a vacation in a concentration camp if you moved marks into or out of the country; you couldn't sell them abroad except on the black market at fantastic discounts; foreign balances in Germany were frozen; exports and imports were completely regimented, compressing the latter by devious methods to fit the size of the former; and the Germans could neither travel nor invest abroad (unless as refugees or as Nazi agents).

The phantom gold standard of the Bretton Woods program could be described as a financial hokum of first magnitude. It pretends to put the members on gold while in reality they need not have a cent of gold; their money need not be convertible into gold; they can proceed with artificial cheap money and unrestrained paper inflations contrary to everything the gold standard implies. It pretends to eleminate "multiple currencies," meaning the German clearing and payment agreements, but in reality permits them because exchange restrictions necessitate different valuations for different types of balances frozen in the regimenting country. It pretends to create economic peace, while it lays the foundations of a self-perpetuating international economic warfare. We are sold on the program of giving away billions upon billions, supposedly to restore economic equilibrium in the world, thus guaranteeing our own markets and our own peace. In fact, we are going to finance a system that amounts to legitimizing and consolidating vested interests in vicious self-sufficiency policies in each individual member country, ultimately directed against us.

The Future of the Dollar

What of the dollar under such circumstances? Credits we extend will be largely utilized to pay for our exports, while at the same time our imports will grow as soon as goods and tonnage are available. Consequently, the paradoxical war-time situation: a vast export surplus in goods coinciding with an import surplus in dollars to be paid for might continue. At any rate, a gold influx on trade account is unlikely, and we may even lose gold on balance.

Nor is much gold influx on account of capital movements in prospect. Even South Americans "swimming" in gold, have and intend to maintain restrictions on the outflow of capital. It stands to reason that in the first post-war years we will gain little or no gold, unless in a sporadic fashion. On the other hand, we can expect very substantial outflow of American capital. Private financing abroad is being actually fostered in the spirit of our international cooperation policies. Indeed, we will be one of the few countries that cannot afford foreign exchange restrictions of a sweeping nature, even against the outflow of capital for investment or speculative purposes. If we should stop investment in Canada, e.g., or in Latin America, we would upset the whole Pan American applecart. As a result, chances are that we will lose quite a fraction of the $20 billion gold reserve which is declining already. As it is, more than half of it, $12 billions, is mortgaged (so to speak) against foreign claims, some $9 billions among them representing the liquid reserves of foreign nations.

On the other hand, the total monetary volume is rising at the rate of about $50 billions annually. It is close to the $250 billion mark and is bound to grow further. Its gold coverage was about 6% when we went "off gold"; presently, it is under 8%. Internally, that means little or nothing, when we simply lower the reserve requirements as we did recently (to 25% of the Federal Reserve liabilities). But the exchange position of the dollar weakens progressively as the ratio declines. Coupled with rising prices such a decline may, and, at some point, must bring a rush "out of the dollar," forcing the choice between the alternatives: (a) introduction of exchange restrictions to stop the gold outflow; (b) new reduction of the dollar's gold content, and (c) a combination of both, starting with the first. It will mean the end of the era of international economic cooperation.

The Pound Sterling

However, this development is more likely to follow a post-war boom than to anticipate it. Otherwise, the world-wide "stabilization" would be doomed to failure from the outset. But "stabilization" must be! And even a professional money-manager like Keynes could underwrite Bretton Woods with a clear conscience, thanks to its devaluation-loopholes, and especially because it permits the carrying of war-time exchange restrictions into the unlimited future. The latter are a more effective and presently more desirable technique of monetary management than devaluation, which can only be used sparingly, while restrictions are a continuous and unrelenting weapon that is applied in a discriminatory fashion—another "advantage."

There are numerous reasons why British managers prefer the previously decried ("German") restrictions to the device of changing the pound's gold content, which they used to regard with so much pride. For example, much of Britain's new short-term debt, such as the one of well over a billion pesos (about $300 millions) she owes to Argentina, is provided with a gold clause; devaluation of the pound would not give the British any relief, while exchange restrictions do the trick by freezing that balance in London.

Exchange restrictions are essential also as part and parcel of post-war regimentation, which, in turn, is unavoidable in view of the disequilibrium between demand and supply from which Britain will suffer for years to come. Price control and rationing cannot be made effective without proper control of international trade in a country that is so deeply involved in it as is England's case. Exchange restrictions are a logical supplement to the kind of corporate state the Labor Party plans to introduce. They have the further advantage of being effective along lines which devaluation cannot fully be relied upon. Tourist spending abroad, e.g., cannot be completely stopped by making the foreign money more expensive (short of destroying the pound); capital flight out of the pound might be actually encouraged by devaluation. Both can be stopped once and forever by exchange restrictions, which are essential, too, in order to build up the Sterling Area, a purpose that would not be promoted by devaluations. The recent Anglo-Swedish agreement, e.g., practically joins the Swedish krona to the pound by permitting British purchases in Sweden with no date of payment set. That is nothing but the German type of clearing agreement, piling up the balances in the respective central banks and hoping for their liquidation by trade processes in years to come. More or less similar bilateral regimes are arranged with Belgium, Turkey, Bolivia, and other countries within and beyond the Empire. All of which, together with the vast short-term debt of Britain—estimated to reach $16 billions—foreshadows the permanence of exchange restrictions.*

They are preferable to changing openly the currency's gold content for a further reason. One devalues in a depression and hopes for prices to rise. But a devaluation applied in a heavily inflated monetary system may bring about a runaway inflation. This is the most important reason why all western countries are reluctant to resort to devaluations which they used liberally in the 1930's. Exchange restrictions, on the other hand, while in effect permitting manipulation of international trade and the value of the currency, do not create an inflationary presumption. They are not visible in the same sense in which a change of the currency's gold content is. The Germans under Hitler were convinced that their money was "good" in spite of all regulations and in spite of the fact that the mark was selling abroad at one-tenth of its nominal par. I found bankers in London this spring who were astonished to learn that the pound is selling well below par in New York. Most Americans ignore the fact that the dollar depreciated during the war to one-half or less of its par value. The general public ignores the unofficial quotations altogether and trusts its money as being on gold, so long as the parity is maintained nominally and prices are "stabilized" at home.

As a publication (April 28, 1945) of our Department of Commerce put it, "Many governments of Latin America and also certain of the British countries have definitely indicated their intention . . . to restrict (after the war) the amount of exchange to be made available for the importation of dispensable consumers' goods and equipment." It would be more realistic to say that most governments of the world are determined to maintain exchange controls even if they receive vast volumes of credit or are plentifully supplied with gold. In the case of Britain, it now turns out that she has $3½ billions worth of gold and balances in this country, and she will be on the receiving end of American credits. But her balance of payment is fundamentally unbalanced, with an annual deficit of $2 billions or more in prospect, her foreign indebtedness is so great and her cash resources are so substantially pledged in favor of the Sterling Area that she will not be able to maintain the par value of the pound—which she does not wish to abandon so as not to create an inflationary run—unless with the aid of hard-boiled restrictions on the outflow of funds from the United Kingdom. The latter will be the more unavoidable since she wants to maintain and improve living standards, and to proceed with semi-socialistic experiments which will enhance the difficulties of her international financial position.

*That the Sterling Area has vast political implications may be noted in passing.

Summary

All indications are that after the war, for some time, Britain will hold on to (approximately) her present exchange rates, but at the price of maintaining a system of barriers to trade that amounts to reducing both the real gold value of the pound and the freedom of international exchange to pure fiction. Accordingly, there will be as there is now, a black market in pound sterling with greatly fluctuating quotations, and a resumption of the economic warfare that gave the 1930's so much color.

As to the U. S., we may expect a gradual return to the pre-war type of gold standard, i.e., the resumption of free gold payments abroad. If so, the dollar has the prospect of returning to its par value on the world's markets, and this par will be maintained until such time as the loss of gold, the cumulative rise of the monetary volume, and the spread of internal price inflation will compel the nation to a reconsideration of its foreign exchange position.

Railroad Securities

(Continued from page 949)

pleting its refunding program inaugurated several years ago. During the past decade total debt will have been reduced some $103,000,000, or almost 31%, and interest charges reduced from $18.7 million to approximately $8.5 million or 55%, the largest reduction achieved thus far by any Class I solvent railroad. As a result of this substantial reduction in fixed charges undoubtedly a $2 dividend will be declared on the preferred (only equity) in December and with probabilities pointing to post-war earnings of some $8 per share, ultimate restoration of its former $5 rate is a distinct probability. At current levels this equity appears to offer an unusual measure of investment appeal combined with excellent possibilities of appreciation.

Municipal News & Notes

Attention of dealers and investors in municipals is called to the fact that on Sept. 1 the State of New York's new Local Finance Law, setting forth the procedure governing the creation of debt by local public bodies, becomes effective. While the new code largely continues in effect the provisions of the former statute, it also includes several new provisions. Obligations authorized prior to the effective date of the statute, incidentally, may be sold in accordance with statutory provisions previously in effect, or the issuer may elect to comply with the new statute.

The latter provides for the issuance by New York State municipal governments of several types of indebtedness, as follows: Serial bonds, sinking fund bonds or corporate stock, bond anticipation notes, tax anticipation notes, revenue anticipation notes, capital notes and budget notes. Issues of sinking fund bonds or corporate stock remain, as heretofore, the exclusive prerogative of the City of New York.

Capital notes constitute a new type of permissible indebtedness and are intended primarily to cover financial requirements of capital improvements, cost of which may be liquidated in not more than two instalments without causing hardship to taxpayers. In addition, they may be issued to provide the "down payments" which the original and new law requires in the case of most municipal improvements or projects to be financed through a bond issue.

Such capital notes, also all other descriptions of permissible short-term debt, may be disposed of at private sale, after such publicity, if any, the borrower deems necessary or desirable. This, of course, does not preclude a public sale should the borrower so elect.

New York State has always been a proponent of bond sales via the sealed bid method and this policy is continued in the new law. Exceptions are permitted where the bonds are to be sold (1) to the United States Government; (2) to the issuer's sinking fund or pension fund, and (3) in the case of issues not exceeding $10,000, and bearing an interest rate of not more than 2½%, which are intended to finance purchase of highway machinery. Issues of the latter type, however, must have been authorized pursuant to the provisions of Section 142 of the State's highway law.

Heretofore, towns were permitted to sell privately four-year certificates of indebtedness for highway machinery purposes, and the effect of the new law is merely to change the terminology of the obligations from "certificates" to "bonds."

With respect to bond issues that must be offered at public sale, several methods of procedure are available to borrowers. In the first instance, the notice of sale may be published in a New York City financial newspaper, which will be designated by the State Comptroller. Where this is done, the municipality is relieved of the responsibility of giving any other publicity to the offering. Present Comptroller is Frank C. Moore.

However, the borrower may publish the announcement in a newspaper of its own choice and, in such election, is also required to circularize the notice among dealers which customarily compete for New York State municipal bonds. The minimum number of dealers thus contacted by the issuer will be set forth in a regulation issued by the Comptroller.

To implement this alternative method, the Department of Audit and control will keep and make available to any prospective borrower a copy of the list of eligible dealers. To be represented on the list, dealers are required to make a request in writing to that effect to the Comptroller. While the latter will not specify names of the dealers to whom the bond sale notice is to be sent, he will advise the issuer of the minimum number of dealers which must be informed of the offering.

No newspaper publicity of any description will be necessary where a bond issue of not more than $10,000 is to be sold for the purchase of highway machinery or equipment, school busses and fire apparatus. In such instances, the notice of sale is to be forwarded to a specified number of dealers as set forth by the Comptroller.

The State's chief fiscal officer will also specify the form and contents of the bond sale notice and this is not likely to deviate materially from the provisions previously in vogue.

Again, as in the past, award will be determined on the basis of the bid naming the lowest rate of interest. Where multiple bids specifying the same lowest interest rate are received, the offer naming the highest premium will get the award. Finally, where the notice of sale permits the naming of more than one rate of interest, award to be made to the bidder naming the lowest net interest cost.

The new law strictly prohibits the amending of an original bid either by telegraph or telephone. Any change in terms can only be made by delivery of a sealed amendment to the initial bid to the appropriate municipal official prior to the time set for opening of bids.

It goes without saying that the credit rating and debt structures of New York State municipal bodies are currently on probably the most favorable basis in more than a decade. Naturally, much of the improvement was a direct consequence of the war economy, which resulted in boomtime revenues and a sharp curtailment in debt incurrence.

However, the present exceptionally favorable fiscal status now enjoyed by local governments reflects in large measure the benefits accruing from the sound monetary procedures followed under the supervision of Comptroller Frank C. Moore. Probably the most important change wrought by Mr. Moore was to enlighten municipal officials on their responsibilities with respect to the extinguishment of indebtedness.

Prior to his taking office, a considerable number of taxing units had followed the dangerous practice of maintaining much of their debt interminably. Instead of making provision in the budget or otherwise for the payment of yearly bond issue maturities, they simply continued the obligation by issuing refunding bonds. This policy, coupled with necessitous emissions for municipal plant improvements, etc., served to bring the total debt burden, in some instances, to dangerous levels. In addition, it encouraged the manipulation of tax rates and assessed valuations in a manner highly prejudicial to the economic well-being of the municipality and its taxpayers.

It may be said in passing that this policy of "postponing the day of reckoning," was by no means peculiar to public bodies in the State of New York. As a matter of fact, it was widely followed by municipal governments generally and stands high on the list of the causes of the acute financial difficulties experienced by State and local political subdivisions in the early 30's.

Insofar as New York State is concerned, however, it was not until Comptroller Moore took office that the refunding evil was officially recognized as such and steps taken toward its eradication. To this end, Mr. Moore initiated the practice of sharply scrutinizing applications of local governments for authority to refund maturing indebtedness and the results of his vigilance was clearly apparent in his report for 1943, the first full year of his guardianship.

During this period, the record showed that local communities were permitted to refund $8,151,960 of maturing bonds, as against $22,193,000 in 1942 (Mr. Moore took office in November of that year); $10,360,950 in 1941, and $23,266,400 in 1940. Of all requests for refunding permission made during 1943, no less than 41% were either rejected by the Comptroller or withdrawn. No such application was disapproved in the earlier year, however, and only 2% were turned down in 1940 and 1941.

While Comptroller Moore thus lost little time in eliminating what is probably one of the most unsound of local fiscal practices, he was equally alert to the need for improvement in conduct of the finances of the State government. Among his contributions in this direction was adoption by the State, in 1943, of the policy of issuing its bonds in callable form, one effect of which is to make it possible for the State to speed up the retirement of indebtedness. Also, in 1943, the State's fiscal year was changed to more closely harmonize with the collection of revenues. This change was largely responsible for the State being able to avoid any revenue anticipation borrowing in that year.

The significance of this development on the State's finances is emphasized in the fact that interest requirements on short-term loans were almost $4,000,000 in 1933, when money rates were high, and even $420,000 in 1942, when the opposite condition prevailed.

With the State's coffers bulging as a result of wartime conditions, there naturally has been no necessity for any short-term borrowing in either 1944 or 1945. However, with the return of a normal economy, the value of the policies enunciated by Mr. Moore with respect to the financing operations of the State and its local governments, will once again attain their true significance. Meanwhile, as already stated, the State and its political counterparts enter into the post-war period with their finances in the strongest possible condition.

Moreover, the status of local units will be further strengthened permanently with adoption by the State Legislature of the program of State financial aid developed by a commission headed by Comptroller Moore. This program, in brief, will eliminate much of the past uncertainty and disappointment experienced by municipal officials with respect to participation in revenues collected by the central government and shared with local governments.

Refunding Plan for Dallas Levee Impt. Dist. Amended

The Bondholders Committee for the City and County of Dallas, Texas, Improvement District announces that the refunding plan adopted by District Board of Supervisors on June 26 last has been amended to provide for an increase in interest rates on the proposed new bonds. The upward increase in rates was made at the request of certain large creditors which have deposited their bonds with the committee.

The revised schedule calls for an issue of $6,000,000 refunding bonds, dated Oct. 1, 1945, due Oct. 1, 2005, and bearing interest rates of 1% through Oct. 1, 1955; 1¼% thereafter through Oct. 1, 1965; 1½% through Oct. 1, 1990, and 2% thereafter until redemption.

The committee also states that objections to the plan of all except two depositors of $7,000 bonds have been met and that the program has been accepted by holders of $4,041,000 bonds on deposit, or 67 1/3% of the district's debt principal. A petition for confirmation of the plan is expected to be filed in Federal Court in the immediate future.

Views of Comptroller of Currency Regarding Post-War Banking

(Continued from page 931)

pended upon to contribute toward the solution of many problems that will arise as the conflict is brought to a successful conclusion.

One striking phenomenon of wartime America has been an enormous increase in the number of people requiring some form of banking service. The physical capacity of the banks has been strained by additional duties arising out of war financing operations, the sale and redemption of bonds, the cashing of Government and pay-roll checks, ration banking, withheld taxes, and an increased activity in the use of checks. The number of officers and employees of national banks increased from 125,128 in 1939 to 148,803 in 1944. Despite this substantial increase in personnel, they have been shorthanded. The devotion to duty on the part of officers and employees, whose ranks have frequently been depleted and staffed with hastily trained men and women, deserves recognition.

The assets of national banks continue the trend noticed in previous war years. During 1944, investments in government securities increased $9.3 billion, and cash reserves increased $1.6 billion, while total assets have grown $12.4 billion. Earnings for the year show a moderate increase, and with very few exceptions are adequate for banks in all-size groups. Net earnings have been slightly under 10% of total capital funds and cash dividends amounted to 3.4% thereof. It is worthy of note that this results in a major portion of earnings being employed to build up capital funds.

While deposit liabilities increased $12 billion, capital funds increased only $315,000,000, adding to the already pronounced stretching of the ratio between deposit liabilities and invested capital. Of this increase in capital funds, a total of $268,000,000 was earned. While the aggregate of deposits may well remain at present heights or mount even higher, a return to normal business conditions will necessarily bring about some shifting of deposits between geographical areas and wise bankers are giving this factor weight in determining investment policy.

The national banking system has shown gratifying stability during the year. While the number of units declined from 5,046 to 5,031, the situation remains generally favorable to the continued growth and success of the system. More than one-half of the assets of the commercial banks of the nation are now held by the national banks.

The growth in the size of national banks in the 10 years from the end of 1934 to the end of 1944 is striking. In 1934, 3,374 national banks, or over 60% of the total number, had deposits of $1,000,000 or less. By the end of 1944, banks in this category had dropped to one-fifth of that number, constituting less than 15% of all national banks. This tendency is especially noticeable among the very smallest banks, those with deposits of $500,000 or less, which fell from over 2,000 in 1934 to approximately 100 in 1944.

The trend referred to resulted only slightly from expansion of branch banking and consolidation of existing banks. The shift is due largely to steadily increasing deposits of existing banks, particularly in the case of banks with deposits of over $2,000,000, which tripled in number during the 10-year period. At the present time, it might be said that the typical national bank has deposits of between $1,000,000 and $10,000,000, since institutions in that category make up over 70% of all national banks—as compared with less than 35% 10 years ago.

The same tendency appears also among banks of the very largest size—those with deposits of over $100,000,000—of which there were 97 in 1944 as compared with 25 in 1934. Although these institutions (which are located in over 50 cities in two-thirds of the States) actually hold a very large percentage of the liquid funds of the country, they are, of course, large city banks. In spite of their importance in financial activities, they cannot be regarded as characteristic of the entire system, in view of the fact that even today they constitute less than 2% of all national banks.

Because of the size of deposits and the prospective increase in risk assets, discussed hereafter, it has been our policy to urge upon banks that capital be strengthened wherever necessary, both through sale of new common stock and through conservation of earnings. In this connection it is to be again noted that 65% of the net profits of national banks was retained to strengthen capital structure.

Preferred stock held by the Reconstruction Finance Corporation and by the public was reduced during the year by almost 28% and was entirely eliminated by 353 national banks. Practically all of this preferred stock was replaced with common stock. There are 545 national banks with preferred stock still outstanding.

It is evident that more capital is one of the primary needs of the banking system, not only for its current operations, but to protect the further expansion of liabilities and of risk assets which can be foreseen in the post-war period. It must be kept in mind that while the aggregate capital of all banks (State as well as national) amounted to about $9.7 billion both in 1929 and 1944, deposits increased over the same period from $58 billion to $142 billion. This disproportionate development is attributable to many factors, including war and the reduction of the number of banks from 25,000 to less than 15,000 (at which level, incidentally, at least temporary stabilization has taken place). Of course, this marked shift in the capital-deposit ratio is not as foreboding as it might superficially appear, because of the large amount of Government obligations included in bank assets, and because of the present high liquidity. The picture could change, however, if the proportion of risk assets were to increase much more rapidly than capital. Many national banks either on their own initiative or at our suggestion are taking advantage of the present market to increase their capital.

Post-War Changes

The period immediately following the war will present many problems to the banking system, and bankers are showing commendable foresight in the measures now in the course of adoption. For instance, the formation of credit groups in the larger cities is designed to stimulate the financing of many borrowers, in the difficult transition from war to peacetime operations, by private enterprise rather than by Government. The banks are preparing to handle a large demand for the so-called G.I. loans to veterans. A return to normal manufacturing and merchandising will give rise to an unknown volume of consumer loans and the building trades promise a large increase in housing.

The utmost diligence must be exercised both by bankers and supervisory officials to see that safe, though perhaps original, banking procedures and standards are employed in meeting different needs and in entering new fields. It is because of the fact that the needs and requirements are not foreseeable that we are refraining from recommending any additional legislation in this report. Recommendations will be made from time to time as the problems arise and solutions requiring legislation become discernible.

The difficulties of foreseeing the future trends of banking and the safeguards which must be set up are emphasized by a consideration of the place of commercial banks in the era toward which we are moving—a period in which the reconversion from war to peace will be accelerated, an era in which there will be a gradual return of an economy of free production, plenty in place of scarcity and a substantial reduction in governmental expenditures and demands.

It is not generally realized to what an extent the nature and functions of banks have changed within a comparatively few years. Even as late as 1939, the largest portion of the earnings of banks was derived from interest on loans; and bankers, the public and Government generally felt that the chief function of a commercial bank and its chief justification for profitable existence was the furnishing of short-term credit to commerce and industry. Today the commercial loan activities of banks—in other words, their risk activities, calling for the exercise of informed judgment on the short-term prospects of an industry and of a single unit within that industry — have receded to a subsidiary position; in their place we find investment in securities of the Federal Government and in loans guaranteed by agencies of that Government.

Bank Portfolios

Bank portfolios reflect the great changes in the country's debt structure, both public and private. The striking extent of these changes is indicated by the following comparison: In 1939, the assets of the national banks of the country included loans in the amount of $9 billion; at the end of 1944, there was a total of $11.5 billion of loans, many of which were covered either in whole or in part by Government guaranties. During the same period their holdings of Government securities more than quadrupled—from $9.1 billion to $43.5 billion. In this connection it should be noted that the deposits of these banks have risen from $31.6 billion to $72.1 billion, while the aggregate capital structure has only risen from $3.4 billion to $4.3 billion.

Likewise, the enormous increase in the liquid assets of individuals and corporations has emphasized the service function of banks as depositaries and clearing agents of funds, and the importance of this segment of a bank's function has been impressed upon the public by the almost general adoption of service charges which have now become an important source of banking income. The quasi-public nature of banks, and their suitability for use in many of the increasingly intimate relationships between Government, business and the public have been emphasized through the services banks have performed during the war years in connection with rationing, distribution of Government securities, furnishing banking facilities to the armed services, and the like, heretofore mentioned.

Concretely, we have today a national banking system whose main functions are the handling of the nation's current funds, the investment of those funds in Government securities and Government-guaranteed loans, the direct creation of credit for governmental use, and the performance of certain quasi-governmental services. In other words, without detracting from the important part the banks are taking in meeting the credit needs of business through the making of loans, it can be stated that to a considerable extent the principal functions of banks today tend to become matters of efficient routine operation and adherence to a predetermined schedule of appropriate security maturities. This modus vivendi unquestionably reduces risk and has proved to be profitable. It cannot be charged to any dereliction of duty or unwillingness to assume responsibility on the part of national bankers. It is one of the consequences of modern total war. The question before us is whether in the years to come banks can and should continue to operate primarily on this basis.

Problems of Credit Needs

In facing problems of this magnitude it is not to be expected that solutions can be developed out of hand. Much depends upon the attitude both of bankers and Government, as well as upon economic factors. To what extent will the banks be able to meet the credit needs of business in this transitional period; to what extent will Government guaranties be used; and to what extent will the banks be required, and be able, to meet the competition of Government lending agencies? These are all questions of importance and upon their determination will depend to a large extent the future of our banking system.

It is essential that we appreciate clearly the nature of the alternatives presented for the future of American banking, and also that these alternatives involve widely differing advantages and disadvantages. Banking as it existed in the United States during the first three-quarters of a century under the National Bank Act is by no means the only possible banking structure. Many men still active in banking can recall the day when the privilege of issuing bank notes was an important factor in the operation and profitableness of national banks. We have seen this function terminated with benefit to the country generally and without injury to the banking system as a whole. The banking systems of other countries—those of pre-war continental Europe, for example—perform economic roles which differ widely from our own, especially by acting as suppliers of long-term capital to commerce and industry, thereby assuming a larger role in the direction of corporations in those fields. Up to the present, the genius of our American economic system has not developed along these lines, but there is reason to believe that the issue, always latent, may be soon forced to the forefront by the inexorable economic consequences of the war.

It is generally conceded, both by business and by Government, that the goal of a sustained high level of employment and production requires, among other things, a ready source of funds for the establishment of new enterprises and the expansion of small business concerns. There is a possibility that the sources tapped for these purposes in the past—direct investment of individual savings—may be insufficient hereafter. If other sources fail, Government may regard itself as obligated to supply the deficiency; in fact, it has traveled some distance along this road during the past decade.

The line between furnishing permanent capital for new or growing enterprises, and meeting the current credit needs traditionally taken care of by American banks, is by no means clear and definite. Nor is it certain that governmental lending agencies—created to furnish credit in situations not traditionally considered "bankable"—can avoid being forced by the pressure of borrowers to extend their operations into the area which bankers and bank supervisory officials presently regard as suitable for investment of funds of depositors. Bankers and Government, as well as the public, must face the fact that banks may ultimately have to choose between the tendency toward assuming the narrower and safer role of depositary of the nation's current funds and investor of those funds, as far as possible, in the ultimate safety of government securities and guaranteed loans; or on the other hand, broadening their field to include not only such service functions and the relatively diminishing strict "commercial loan" functions of the past and present, but also the duties of active initiators and more permanent financiers of industrial and commercial enterprises of the first magnitude.

The problem outlined above is perhaps the most important which must be faced during the next few years by all who are concerned with the future of American banking and with the national welfare. It is worthy of our most thoughtful consideration.

There is a school of thought which would have the commercial banks move deep into the risk sector of the economy, thus filling the vacuum left by the reduction in the normal flow of venture capital. It has been argued that this process will save our society of free enterprise. This point of view has been received with approval in certain quarters and, of course, the difficulties of our times demand great care in the examination of any remedies thoughtfully proposed. However, the economic scene at the present time is not such as to persuade the Office of the Comptroller of the Currency to acquiesce in this doctrine.

It seems clear that the economic forces now at work throughout the world, and largely outside the realm of banking, are fundamental. It seems equally clear that these forces cannot be controlled by any such device as the employment of commercial bank deposits in a field which properly should be reserved for more speculative funds. The survival of a competitive economy and the American system depends on other and more basic factors. The Comptroller of the Currency strongly endorses a vigorous and courageous policy by the commercial banks and one which will meet all legitimate demands for credit accommodation. Such a policy should include the intensive development of the newly formed credit groups and the full exploitation of the term loan. The Comptroller feels, however, that adventures of this nature into new fields must be restrained before the extension of credit becomes in reality a participation in ownership. An entry into the realm of junior financing made in the guise of loans secures none of the advantages which normally accompany such an operation and is not consistent with the responsibilities inherent in the trusteeship of deposit funds.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 934)

sues sold continue to go up while the one being held persists in going lower.

* * *

It is this condition which has given rise to the advice, widely quoted but seldom followed, "Cut your losses and let your profits run."

* * *

As this is being written the whole market is strong. The industrials are across 171 and acting as if they intend to go still higher. There is more talk about inflation and the pending full employment bill is rapidly becoming a red-hot legislative potato. Every day the papers run stories about reconversion and tell how company after company is shedding its war business and going full blast with consumer goods. All this makes pleasant reading. Yet, because it makes such pleasant reading, I'm a little afraid of it. Widespread beliefs, whether fostered by press campaigns or through word of mouth, are usually based on little more than wishful thinking. At the beginning such campaigns are based on facts. As they progress, facts give way to fancy. It is my belief that the present market advance is reflecting the first phase, which is all to the good. How soon it will enter the second stage will depend on other factors.

* * *

Translating this into market action it looks as if the current advance will carry prices a good deal higher. In terms of average movement, a figure of about 180 is not improbable. The time it will take for such a move will be anywhere from 30 to 90 days. Sometime in that period, probably towards the latter part, you can look for a gradual topping out. This process may come in anticipation of fourth quarter returns, which I don't think will be as pleasant as generally believed. For even if the physical volume will be high I don't believe unit profits will hold up.

* * *

So far as inflation is concerned, better forget about it. The inflationary cycle is either in its last stage or has already been completed. If the stories of widespread unemployment mean anything, inflation must be ruled out. Inflation and unemployment cannot exist side by side. If people don't have wages they can't bid against each other for goods. If they don't bid, prices remain either stationary or decline.

* * *

In last week's column I advised you to hold stocks unless they add about two points each to the then current prices. By Friday every stock you hold was above that low. Based on present action it doesn't look as if they will go into a decline, even a temporary one, from here.

* * *

Stocks in the list, prices, stops and current prices are as follows: A. M. Byers—bought at 19, stop 16. Current price, 19½. Jones & Laughlin — bought at 35, stop 33. Currently about 37. U. S. Steel bought at 56, stop 65. Stock now about 70. White Motors, bought at 29½, stop 28, is now about 33. Paramount, bought two weeks ago, at 30½, stop 28½, is now about 34.

* * *

Until the topping-off process arrives, and don't expect it right away, the current advice is to hold all positions.

* * *

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.]

Kempf, Sutherland in Bankers Ass'n Post

Lawrence A. Kempf was elected Treasurer of the Illinois Bankers Association for the ensuing year at a meeting of the Council of Administration of the Association at the Palmer House on May 29. Mr. Kempf succeeds Eli Murphey of Tuscola, Illinois, who has been Treasurer of the Association for the past year. Mr. Kempf is a Second Vice-President of the Northern Trust Company, Chicago, where he serves correspondent banks and industry in the middle western area, principally in the State of Illinois.

The Illinois Bankers Ass'n also announces the appointment of Kirk E. Sutherland as Assistant Secretary of the Association. Upon finishing his schooling at Michigan State College, Mr. Sutherland entered banking and spent a number of years as an executive in banks in southern Michigan. He joined the staff of the Illinois Bankers Association in April, 1941.

Changes in WPB Staff

The War Production Board announced on June 13 the appointment of W. C. Glynn as transportation consultant, assisting Benton R. Cancell, Director of WPB's Forest Products Bureau. Mr. Glynn will handle all transportation problems for the containers, paper, paperboard, printing and publishing, and the lumber and lumber products divisions. Mr. Glynn has been transportation consultant for the Containers Division since December 1942, and prior to that was assistant freight manager for the Pennsylvania Railroad in his home city, Philadelphia, Pa.

WPB also announced the resignation of Franklin E. Hufford, transportation consultant for the Paper and Paperboard Divisions of the Office of Production Management and WPB since November 1941. Mr. Hufford, who has performed "an outstanding job for the War Production Board", has accepted a position with the Minnesota and Ontario Paper Co., of Minneapolis, the war agency said.

Guarantee of Employment Means Totalitarianism

(Continued from first page)

without sacrificing, but rather by fostering, the system of free competitive enterprise that the vast majority of Americans consider an integral part of our democratic way of life. We offer no objection to any sound and effective measures by the Federal Government to encourage investment, production and employment in private enterprise, or to regulate the timing of necessary public works in such a way as to smooth out fluctuations in employment, or to organize and systematize the plans and efforts of Federal, State and local governments to prevent the misery and despair that unemployment can cause. On the contrary, we believe these aims to be highly desirable, but we believe that the machinery provided in this Bill has three fundamental defects:—

(1) Responsibility for full employment should not be assumed by the Federal Government, because the implementation of such a policy would inevitably lead to the exercise of powers which would eventually destroy the private enterprise system.

(2) The character of the measures that the Federal Government would be obliged to adopt in order to comply with the directives in the bill are such as experience has shown would result in an impairment of confidence on the part of private industry and a consequent decrease in employment opportunities.

(3) Such estimates and forecasts as may be obtained to provide a basis for the National Production and Employment Budget as set forth in Section 3, Subsections 1, 2 and 3 of the bill cannot be sufficiently reliable to form a basis for a concrete program such as would be required by the Bill.

Let me add that it is not our purpose to be critical merely. With your permission, I will place before you very briefly the broad outline of a program which we believe would be more conducive to high levels of production and employment, and much less fraught with danger to our free institutions, than the program provided for in this Bill.

The question that has to be answered is not whether the objectives of the bill are desirable but whether its specific provisions embody the best available means of striving for those objectives. We have to consider to what extent it is possible for Government investment and expenditure to provide an adequate substitute for private investment and expenditure in maintaining the volume of employment, and to what extent a program of full employment by Government investment and expenditure is consistent with the bill's avowed aim "to foster free competitive enterprise and the investment of private capital in trade and commerce." In considering the first of these questions, we have some practical experience to go by; in seeking an answer to the second, we have to rely mainly on general principles.

Government Spending No Remedy

First, as to the feasibility and adequacy of Government investment and expenditure as a substitute for, or supplement to, private investment and expenditure. Our recent experience bearing on this question may be divided into three main periods — the 1920s, the 1930s, and the war period. During most of the 1920s the United States enjoyed a high level of prosperity, with large production and substantially full employment. In that period—or, more precisely, in the fiscal years from 1922 to 1929, inclusive—the expenditures of the Federal Government ranged between three and a half and four billion dollars annually, and the public debt was reduced by more than seven billion dollars, or at an average rate of nearly nine hundred million a year.

The last Federal budgetary surplus was in the fiscal year 1929-1930. From 1931 through 1939, Federal expenditures averaged six and three-quarters billion dollars annually, and the public debt rose at an average rate of about two and two-thirds billion a year, more than three times as fast as it had been reduced in the '20s. What was the effect on employment? According to the estimates of the American Federation of Labor, the number unemployed declined irregularly from the peak of fifteen and two-thirds million in March, 1933, to seven and a half million in September, 1937, and then rose irregularly to more than eleven and a half million in January, 1939. In August, 1939, the last month before the outbreak of the war, the total was more than ten million, or very nearly two-thirds of the peak figure more than six years earlier.

What are we to infer from these figures? For one thing, that budgetary surpluses do not necessarily inhibit business prosperity and full employment, and that large Government investment and expenditure — particularly deficit spending — does not necessarily produce or maintain full employment. More specifically, we see that Government investment and expenditure in the '30s, at a rate which raised the national debt far above the post-war peak in 1919, did not suffice to take up more than one-third of the employment slack.

Of course we must recognize that this evidence is not conclusive. Human society is not an experimental laboratory where phenomena can be isolated and conditions controlled. There were numerous factors making for prosperity in the '20s and numerous factors making for depression in the '30s. The state of the Federal budget, whatever its influence may have been, was only one of many influences. It may be argued that the budgetary surpluses of the '20s helped to bring on the crash of 1929, although I doubt whether many authorities believe that to be the case. It may be argued that the Government spending of the '30s did increase employment and that the only reason it failed to take up the employment slack is that there was not enough of it. On the other hand, it may equally well be argued that the sound condition of Federal finances in the '20s was among the most potent factors bolstering business confidence and thereby stimulating production and employment, and that the series of very large budgetary deficits in the '30s may have destroyed more employment than it created, by shaking the faith of the people in the future of their Government's credit and the soundness of their currency.

The Psychological Factor

This brings us to one point which I think may be insufficiently appreciated not only by the supporters of this Bill but also by the advocates of other forms of economic planning. I refer to the enormous influence of the psychological factor in the general business situation, and the fatal incompleteness of any analysis based solely or primarily on statistical totals. Investment and expenditure, production and employment, are not merely items in an economic balance sheet, to be kept in balance by making entries of the proper amounts on the debit or the credit side. They are products of the mental processes of millions of individual business men, investors and consumers. These mental processes go to make up what is commonly termed "confidence." When confidence is impaired, consumers become reluctant to buy, investors hesitate to take risks, and business concerns fear to expand or even maintain the scale of their operations. Income payments distributed to wage earners and owners of capital, or retained by the business enterprises that earned them, are not fully translated into effective demand for producers' and consumers' goods and services. Instead they are retained, either in the form of cash or of idle bank balances.

From the middle of 1933 to the middle of 1939 the amount of money in circulation increased from five and three-fourths billion to seven billion dollars, and the amount of demand deposits in banks rose from fifteen billion to twenty-nine billion. But meanwhile the annual rate of turnover of deposits, as calculated by the Federal Reserve Bank of New York, dropped from 32.4 to 22.1. Government investment and expenditure had increased the volume of ready purchasing power by large amounts, but the purchasing power had manifestly failed to take its intended place in the income stream. Once the money was spent by the Government and found its way into the banks and safe-deposit boxes, it tended to lie stagnant. Belief in the worth-whileness of business ventures, which is the mainspring of enterprise, was weakened.

Effect of High Taxes

Why did this business apathy continue year after year in the face of the truly strenuous efforts of the Government to "prime the pump" of recovery? I have already suggested that the pump-priming process itself may have been partly responsible, since it resulted in a series of Treasury deficits which, to many if not most of our people, was highly disturbing. But there were other and perhaps even more powerful depressive influences at work. Taxes on business enterprise, particularly on large concerns, and on individuals in the higher income brackets were sharply increased. Corporate earnings distributed as dividends were made subject to double taxation. The issuance of corporate securities was hedged about with rules, restrictions and liabilities. Wages and hours of labor were regulated, and employers were closely restricted in their dealings with their employees. Some branches of business were subjected to Government competition. Public officials were given broad powers to manipulate credit and currency, and some of those powers were exercised.

These and other drastic and experimental changes in the economic environment, coming in quick succession, led many to believe that there was an undercurrent of antagonism in governmental circles toward business, especially the large business concerns and the wealthy individuals that supply much of the capital and much of the driving power upon which free competitive enterprise depends. Thus, added to the harmful effects of the specific measures actually adopted was a pervasive fear and uncertainty as to when and where the lightning might strike next.

The result of all this was that the actual and prospective costs and risks of doing business were increased, the opportunities for profit were restricted, business management was deprived of much of its freedom of action, and confidence in public credit and in the future value of the currency was impaired. In short, it became less worth while to make business ventures, and hence to create jobs, than it had been before.

Competitive Enterprise Can Provide Employment

Of course I recognize that other explanations have been offered to account for the persistent lack of economic vitality in the 1930s. One of the most popular of these seems to be the theory that our economy has become a "mature" economy in which scarcity has given way to abundance, and free competitive enterprise is no longer capable of providing adequate employment. From that theory the recent emphasis on the importance of Government investment and expenditure as an economic instrument appears to have derived a good deal of its strength. That theory I believe to be both false and pernicious. Human wants are still very far from being wholly satisfied, and in a healthy economic society it is normal for the competent and able-bodied to work at producing the goods and services they need and desire. As far as we know or have any reason to believe, free competitive enterprise is as inherently capable of providing employment as it ever was; and no convincing evidence has ever been produced to support the belief that some force has appeared in recent years to make business incapable of self-generated recovery. We do not have to look so far afield to account for the absence of full recovery in the '30s.

Wartime experience has been cited in some quarters as indicating that Government expenditure can create employment opportunities on any desired scale. This is undoubtedly true as a short-term proposition, provided the spending is large enough and is accompanied by the necessary Government controls. But I think one glance at the astronomical figures of Government expenditure and public debt during the war ought to convince any reasonable person that wartime experience gives us no help whatever in deciding upon the proper role of Government spending in times of peace as part of a permanent economic program. I do not mean to imply that an all-out program of Government investment and expenditure to provide full employment would necessarily require a duplication of these wartime totals. But, with full allowance for the high prices of war supplies, the high costs of overtime operation, the emergency accretions to the labor force, and other abnormal wartime conditions, the cost of full employment by Government spending as measured by wartime experience would still be completely outside the range of serious consideration.

Plan of Bill Not Feasible

On the whole, then, I think it is fair to say that practical experience casts strong doubt on the feasibility of maintaining full employment in a system of free competitive enterprise by Government investment and expenditure. The experience, as I said before, is not conclusive; but its very inconclusiveness is a warning against "going out on a limb" in the first trial of a highly experimental and potentially dangerous instrument.

To what extent is a program of full employment by Government investment and expenditure consistent with the Bill's avowed aim "to foster free competitive enterprise and the investment of private capital in trade and commerce"? This is even more largely a matter of opinion, because no society of free competitive enterprise, determined to maintain itself as such, has ever tried it. A Hitler, a Mussolini, a Stalin or a Hirohito can do it, but that does not answer our question. The American people do not want dictators. As Congressman Patman remarked only a few weeks ago, "Full employment without free competitive enterprise would be intolerable."

The answer depends mainly, I think, on just what the Bill, if it should become law in its present form, would require the Government to do. Senator Wagner, in his invitation to us to take part in these hearings, mentioned certain points on which testimony was particularly desired. One of these is the declaration that "All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right." Another is the declaration that "To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment."

Does Bill Guarantee Employment?

There has been some controversy as to whether these declarations constitute a "guarantee" of full employment. Senator O'Mahoney stated recently that "there is no guarantee of any kind in the Bill." If Senator O'Mahoney and the other sponsors of the Bill intend that it shall contain no guarantee, I would respectfully urge them to make some very radical changes in the wording of the sections that I have just quoted, because I think they are laying themselves open to disastrous misinterpretation. I say "disastrous" because I believe the guarantee that the Congress here appears to make, and would be regarded as having made, is one of the most dangerous features of the entire proposal. When the Congress declares that all Americans have the *right* to employment, that it is the policy of the United States to *assure* employment opportunities at all times, and that it is the *responsibility* of the Government to provide the volume of investment and expenditure needed to *assure* continuing full employment, that is about as far in the direction of a guarantee as a sovereign power can go. My comment on this feature of the Bill is based on the conviction that, if it is enacted in anything like its present form, it will be generally regarded as containing a guarantee of continuing full employment—useful, remunerative, regular, full time employment. The Congress and the Administration will be expected to make good that guarantee and will find themselves under tremenodus pressure to make it good at any cost.

The crucial danger in all this lies in the grave risk — I am tempted to say the certainty—that the guarantee cannot be made good without destroying free competitive enterprise in the process. Jobs are created by private employers, and the number of jobs available at any time depends on a large and complex set of conditions over which no one in a free society has control. As soon as, and to the extent that, such control is undertaken, the society ceases to be free. To make good a guarantee of full employment, a Government must have control over the conditions that determine employment, and these conditions include production, consumption, prices, wages, working hours and other working conditions, saving, investment, and even continuity of political policy itself. An unlimited commitment for full employment requires a Government of unlimited powers.

Government Controls and Full Employment

Perhaps the most impressive evidence on this point that I have seen is the testimony of Sir William Beveridge, one of the outstanding British students and advocates of the policy of full employment by governmental action. Beveridge's professed twofold objective is substantially the same as that of the sponsors of this Bill, and is indicated by the title of his book, "Full Employment in a Free Society." Yet Beveridge concedes at various points in his book that price control would probably be an inevitable consequence of a full-employment policy; that private as well as Government investment would have to be regulated by governmental authority; that control over the location of industrial plants would be a central requirement; that it would be necessary to maintain "organized mobility" of labor—or, as a writer without Sir William's semantic gifts might describe it, compulsory allocation of labor; and that such civil liberties as the right to choose new public officials and alter public policies, freedom in the choice of occupations and in the management of personal incomes, and the right of labor to bargain collectively and to strike could not be exercised "irresponsibly." He declares further that the liberties essential to a "free society" do not include the liberty of a private citizen to own means of production and to employ other citizens in operating them at a wage, and he contemplates with apparent serenity the possible extension of Government ownership into new fields of production if his full employment program does not produce the desired results within the framework of the British economy as now organized. Add up these restrictions and you have a regime which Beveridge may call a "free society" if he pleases, but which I am sure the sponsors of this Bill and most other Americans do not mean by "free competitive enterprise."

I do not forget that this Bill specifically forbids "the use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower," and I do not question for a moment the sincere desire of its sponsors to foster free enterprise and preserve a free society. The point I am trying to make is that this desire would in practice be found utterly incompatible with the responsibility of assuring continuing full employment. Let it once be understood, either by explicit declaration or by implicit assumption, that the Government has assumed that responsibility and stands ready to fulfill it, and the Government will find itself irresistibly impelled toward authoritarianism; for it will have drawn a check on a bank in which it has no account.

Other Dangers of Bill

In order to save your time and concentrate on the main issues, I have not mentioned a number of difficulties that I think would be encountered in the administration of this plan. I have not mentioned the danger of "made" work—that is, the difficulty of reconciling the requirement of **full** employment with the requirement of **useful** employment. I have not mentioned the danger that any spending program undertaken for an economic purpose will be diverted to the ends of political patronage and intrenched bureaucracy. I have not mentioned the very heavy financial burden that the Government must carry during the post-war period, even under the most favorable suppositions. I have barely touched upon the shortcomings of the statistical data and the forecasting methods on which the proposed budgetary estimates would have to be based. I have not mentioned the many difficult questions that would be confronted in arriving at and applying a complete, precise and satisfactory definition of full employment. The thought of these administrative problems leads me to suspect that, if the Congress adopts this program, it will have full employment in Washington at least. These are serious questions, but they are secondary to the really vital danger that I have dwelt upon at perhaps too much length.

What Congress Should Do

What, then, can the Congress do safely and effectively to promote and safeguard employment? I believe it can do some of the things proposed in this Bill. It can "pursue such consistent and openly arrived at economic policies and programs as will stimulate and encourage the highest feasible levels of employment opportunities" through private investment and expenditure and perhaps, within carefully defined limits, through investment and expenditures by State and local governments. And it can provide for the systematic advance planning and proper timing of necessary public works, provided always that such works shall be justified on their merits and not designed merely to make work.

The value of this program depends, of course, on what we mean by policies that will encourage private employment opportunities. What I mean, and what I am sure the large majority of private employers mean, is suggested by the enumeration I gave a few minutes ago of the unfavorable changes in the economic environment that took place in the 1930s. I will not weary you by repeating the list. What it boils down to is this:

Fiscal policy should aim at a balanced budget; a minimum tax burden, especially on business enterprise; simplication and stabilization of the tax system; and the use of taxation solely as a means of obtaining revenue, not as an instrument of social reform. Labor policy should aim at equal treatment for labor and management, with a minimum of restrictions on the freedom of action of both, and with free access to the courts in all cases. Public policy in general should reflect a spirit of impartiality as between groups of citizens; an attitude of respect and good will toward honest business, whether small or large; and a recognition of the cardinal principle that profit is the very breath of life to enterprise and hence to employment.

An earnest of the attitude of our new Administration has been provided recently by the prompt removal of many wartime restrictions. I am sure that this tangible evidence of the Government's desire to sweep away all emergency controls as soon as possible will be very encouraging and helpful to private enterprise as it faces the difficult task of reconversion. I hope it marks the beginning of a continuing program to stimulate production and employment by improving the economic climate in the ways that I have just mentioned.

Would such a program assure continuing full employment? It certainly would not. Free competitive enterprise has always had its ups and downs, and it seems reasonable to suppose that it always will. But a program of this kind would provide the closest approximation to continuing full employment that you can get in a free society.

The rest of the program would have to be concerned with reducing the unhappy effects of unemployment to the irreducible minimum. To this end, Federal, State and local governments and private agencies should make their plans for relief in advance and coordinate their policies as closely as possible, with the Federal Government standing ready at all times to provide such aid as private and local public agencies cannot supply. The cost of the aid should be met as largely as possible from current revenue, and benefit payments should not be on such a high scale as to leave workers without strong incentive to seek employment in self-sustaining trade and industry. This does not mean that the victims of unemployment should not receive enough to live on, but it does mean that they must receive something less than the prevailing rate of wages; for, if our experience in these matters proves anything, it proves that some people will not work except from necessity.

All this, I know well enough, sounds tame in comparison with the Full Employment Bill. Utopias, unfortunately, do not exist on this earth. The program I suggest will not give Americans a Utopia, but it will keep them a nation of free men.

I hope I have not taken too much of your time, and I thank you again for the invitation to participate in these hearings.

DIVIDEND NOTICE

CITY INVESTING COMPANY

30 BROAD STREET, NEW YORK 4, N. Y.

August 23, 1945

The Board of Directors has this day declared the regular quarterly dividend of $1.375 per share on the 5½% Series Cumulative Preferred Stock of the Company, payable on October 1, 1945 to stockholders of record at the close of business on September 18, 1945. Checks will be mailed.

G. F. GUNTHER, Secretary

U. S. to Resume Relations With Finland

The United States is prepared to resume diplomatic relations with Finland, having decided that the Finnish elections were democratic, Secretary of States James F. Byrnes has announced, according to a special dispatch to the New York "Times" from Washington, Aug. 20, which added:

Mr. Byrnes stated that, after having studied all the available reports, the U. S. Government had concluded that the Finnish parliamentary elections in March, 1945, were freely conducted and expressed through secret ballot, the democratic wishes of the Finnish people.

He said the Finnish Government had been reorganized so as to reflect the results of that election ond that, in the opinion of our Government, it was now broadly representative of all democratic elements in Finnish political life.

"Accordingly," the statement added, "the United States representative in Finland has been instructed to propose to the Finnish Government the establishment of diplomatic relations between the United States and Finland."

In United Press advices from Washington, Aug. 21, it was stated:

Although Finland twice fought Russia and was at war with Britain, the United States never declared war on the Baltic republic. But on June 30, 1944, it severed diplomatic relations on the ground that Finland had entered an irrevocable military partnership with Germany.

Finland was the first of the eastern European Axis nations to drop out of the war, and is the first to be offered United States recognition. Italy is the only former Axis country with which diplomatic relations have been established.

Before the war Finland was the only European nation that regularly paid its World War debt to the United States. It continued the practice until diplomatic relations were severed.

Styskal With Waller Co.

Waller & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Henry Styskal has become associated with them. Mr. Styskal was formerly with Charwat Brothers.

DIVIDEND NOTICES

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND NO. 149
COMMON DIVIDEND NO. 79

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable October 1, 1945 to holders of record at the close of business on September 6, 1945. Transfer books will not be closed.

August 23, 1945 CARL A. SUNDBERG, *Secretary*

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 158
Common Dividend No. 143

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1945, and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1945, to holders of record September 7, 1945. The stock transfer books will remain open.

E. F. PAGE
July 25, 1945 Treasurer

C.I.T. FINANCIAL CORPORATION

formerly
Commercial Investment Trust Corporation

Common Stock Dividend

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable October 1, 1945, to stockholders of record at the close of business September 10, 1945. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*
August 23, 1945.

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND NUMBER 38

At a meeting of the Board of Directors held August 27, 1945, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable November 1, 1945, to stockholders of record at the close of business October 5, 1945. Checks will be mailed.

W. M. O'CONNOR
August 27, 1945 *Secretary*

THE DAVISON CHEMICAL CORP.

The Board of Directors of The Davison Chemical Corporation has declared a quarterly dividend of Twenty-five cents ($ .25) per share on its capital stock, payable September 29, 1945, to stockholders of record at the close of business September 8, 1945.

M. C. ROOP, *Secretary*
Baltimore, Md.
August 24, 1945

Progress through Chemistry

At a meeting of Directors held August 21, 1945 in London it was decided to pay on September 29th Interim Dividend of Ten Pence for each One Pound of Ordinary Stock free of tax. Coupon No. 196 must be used for Dividend.

All transfers received in order at London on or before August 27th will be in time for payment of dividend to transferees.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

August 21, 1945

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *August 20, 1945*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable October 25, 1945, to stockholders of record at the close of business on October 10, 1945; also $1.25 a share, as the third interim dividend for 1945, on the outstanding Common Stock, payable September 14, 1945, to stockholders of record at the close of business on August 27, 1945.

W. F. RASKOB, *Secretary*

A. HOLLANDER & SON, INC.

COMMON DIVIDEND

HOLLANDER BLENDED FURS

A dividend of 25c per share on the Common Stock has been declared payable Sept. 18, 1945, to stockholders of record at the close of business on Sept. 7, 1945. Checks will be mailed.

Newark, N. J. Albert J. Feldman
August 27, 1945 *Secretary*

TENNESSEE CORPORATION

A dividend of 25¢ per share has been declared, payable September 27, 1945, to stockholders of record at the close of business September 6, 1945.

61 Broadway
New York 6, N. Y. J. B. McGEE
August 14, 1945. *Treasurer.*

OFFICE OF NORTHERN STATES POWER COMPANY (WISCONSIN)

The board of directors of Northern States Power Company (Wisconsin), at a meeting held on August 20, 1945, declared a dividend of one and one-quarter per cent (1¼%) on the Preferred Stock of the Company, payable by check September 1, 1945, to stockholders of record as of the close of business August 20, 1945, for the quarter ending August 31, 1945.

N. H. BUCKSTAFF, *Treasurer.*

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY
DIVIDEND NO. 53

A dividend of ten cents ($0.10) per share will be paid on September 17, 1945, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business September 3, 1945. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, Secretary.
Boston, August 23, 1945.

Allied Chemical & Dye Corporation

61 Broadway, New York

August 28, 1945

Allied Chemical & Dye Corporation has declared quarterly dividend No. 98 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable September 20, 1945, to common stockholders of record at the close of business September 7, 1945.

W. C. KING, *Secretary*

Air Transport and Free Enterprise

(Continued from page 936)

blood pressure. One all-wise, superman government agency, a combination of the Interstate Commerce Commission and the Civil Aeronautics Administration, would regulate all transportation, regardless of the amount of technical knowledge required for each of the half dozen different forms of locomotion.

With one eye the super-human agency could manage airline operation; with another eye, steamships could be kept in their lanes; a third eye would watch after the railroads, another, the trucks and busses, and still another the pipe lines!

Aviation Industry's View

We of aviation do not want to submit ourselves to such an all-seeing master. Ours is an industry requiring intensive technical knowledge and an abundance of "know-how." We do not move on rails and over right-of-way. We do not twist along or around mountains and glide through tunnels. We do not ride the ocean waves. Our routes lie through space. Our industry bears testimony that America is still a young country, not an old and completely fulfilled one.

The mechanics of aviation, and its problems, are, compared with those of other forms of transportation, as dissimilar as day and night.

Men do not discuss aviation and railroading, and the merchant marine, and pipe lines in the same breath, in the same terms. They are not the same, and the men dealing with these various forms of transportation are not the same. They are wholly different types.

Aviation requires peculiar skills, peculiar planning skills, peculiar maintenance skills and peculiar getting - the - business skills. We are the embodiment of American free enterprise: we are a result of it. And in the transportation field, we are the anathema of monopoly.

We of aviation do not fear competition—of the railroads, the trucks, the merchant marine. Our industry is young, and it has the self-confidence of youth. What we do fear is the concern for our welfare expressed by and for the railroads. We fear their proffered embrace is like the wolf's treatment of Little Red Riding Hood!

What is more, we think that competition between the various forms of transportation is a good thing for the public as a whole. It is only through competition between forms of transportation that the public can expect the full development of all these forms and the type of service that the transportation agencies are capable of giving.

An Assumption of Integration

In order to discuss this integration proposal on a concrete basis, let's assume that a transportation monopoly as advocated by the Transportation Association were to be established between Chicago, the Twin Cities, and the Northwest. It would operate all forms of transportation between those points. Now place yourself in the position of a traveler who wished to move between those points or a shipper who wanted his cargo hauled within that area. The Transportation Association is quite correct in suggesting that there would be no destructive competition between the forms of transportation there; there would be no competition at all.

They are also quite correct in saying that this great transportation company could offer our hypothetical traveler or shipper any one of a number of modes of transportation. They would offer him what they had on a "take it or leave it" basis and it wouldn't make much difference what he wanted.

As a practical matter, notwithstanding Government regulation, they would also offer him the type of service that they wanted to offer him at the rates they demanded.

It wouldn't be possible for him to flounce out of the office of this transportation monopoly and say that he would go to someone else with his business; there wouldn't be anyone else to go to. The traveler could take what they offered or stay at home and the shipper could take what they offered or leave his cargo where it was.

You have all heard of the great plans of the airlines, the busses, the trucks, and the railroads for post-war improvements in their operations. One railroad has just tested a raised dome car on which the traveler can view the passing scene in all directions. Another is developing an all-electric diner with its cooking facilities patterned upon those of submarines. In the East one road has ordered more streamlined cars, essentially coaches, among which will be recreation cars for coach travelers. These are to be roomette cars, new streamlined trains, colorful new coaches. I could go on almost without end. You have read of the plans for rail nurseries, for cocktail lounges, for motion pictures, for dancing, and what not.

You have seen pictures of beautiful and comfortable double-decker busses and trucks designed to carry cargo much more swiftly and efficiently.

I have seen no announcement yet of reduced rail fares, but it is my guess that they will come. On the other hand, the airlines have steadily reduced their fares—and profitably. Other reductions are in the making.

Progress of Airlines

As an example of the progress that the airlines have made, it is now possible, in many instances, to travel cheaper by air than by rail and Pullman.

Between New York and Chicago the one-way airline fare is $33.65; the first-class rail fare with a lower berth is $36.93. The round trip rate is $67.30 by air as against $67.85 for first-class rail fare with a lower berth.

Between Washington and Chicago the airline fare is $28.30 and the first-class rail fare with a lower berth, $31.70.

Between Chicago and San Francisco, Los Angeles or San Diego the one-way airline fare is $85.45, the first-class rail fare with a lower berth is $91.43, making a saving of $5.98 for the user of air transportation.

There are similar airline advantages between Chicago and Salt Lake City; Chicago and Reno; St. Louis and Kansas City; St. Paul and Boston, etc. I could cite many others, such, for example, as Kansas City and Atlanta, and there will be more as the months go by.

I have told you of the improvements promised by the railroads. We, too, have ambitious plans. The 19 major airlines which are members of the Air Transport Association of America already have on order or option, about 500 new planes. This will make a total of more than 1,000 planes, as compared with a 359 domestic plane fleet before Pearl Harbor, and with 166 which were left at the peak of the war when the Army and Navy had made their drafts.

A cruising speed of more than 300 miles an hour is incorporated in many of the new models. The transatlantic hop will be reduced considerably under the 12 and 14 hours now being required. More than 200 of the craft on order will be four-engined.

The commercial planes of today will be devoted primarily to shorter trips of 125 to 225 miles.

Better accommodations than the passenger ever dreamed of will feature the longer flights. There will be staterooms, berths, and reclining seats for the overnight flights, to fit anyone's pocketbook.

There will be pressurized cabins to maintain low altitude conditions at "over - the - weather" heights, together with air conditioning, both individual and thermostatic temperature control, and individual ventilation.

There will be better meal facilities. Windows will be arranged for clearer observation. There will be faster and more frequent schedules. Feeder or local service will be highly developed.

What do you think is impelling these transportation chiefs to take their stockholders' money and devote it to vast improvements of service and reductions in rates? Let us be realistic about the matter. They are not spending all this time, money, and energy simply because they enjoy doing so. They are doing it so that they can each acquire a larger percentage of the traffic than they would get if they didn't make these improvements. I know something about the airline business. The reason for the projected airline development is to make our service more attractive to passengers and shippers so that we can not only cause more people to travel than ever before, but also so that we can divert as much of the total traffic to the airlines as possible.

If that objective were not present, you can be quite certain that the improvements in transportation service that I have just been discussing and with which you are all familiar would never have been mentioned. The passenger or shipper, if he were required to depend upon a transportation monopoly, would have to get along with the present antiquated Pullman cars, the present obsolete busses and trucks, and he would be riding in a 21-passenger DC-3 for a very long time.

Perhaps I am belaboring this point too much, but it is one of such fundamental importance that it is probably worth repeating. If the policy of competition between the various forms of transportation is continued as it has in the past the shipper and traveler, in other words, the general public, will control completely the development of the various forms of transportation. The transportation agencies will really be the servants of the people for they'll have to do what the people want them to do, in order to keep their business. If this competition is eliminated the general public loses that control and turns it over to a giant monopoly. They will be told what they are to get. The answer to integration is just that simple.

Question of Government Ownership

One of the alleged reasons which impels the Transportation Association to urge integration is the fear of that association that if competition between the forms of transportation is continued, Government ownership will result. I have considered that argument for years and I can't quite bring myself to believe that it is being urged seriously. I can see no better way of getting Government ownership, and quickly, than by creating eight or nine great transportation monopolies over which the general public cannot possibly have any control. The development of those monopolies seems clear to me. The passengers and shippers would suffer just so long under the treatment they received from the particular monopoly concerned and then there would arise a great clamor for Government ownership. And it would be a proper one, for under those circumstances it would only be through Government ownership that the traveling and shipping public could expect to get adequate service at reasonable rates.

Truman's Views

In a speech before the Traffic Club at Baltimore, Feb. 1, 1944, President Truman, then a Senator, said—and I quote—

"The reason that I differ with the proposed 'integration' of transportation systems, is that I believe that that proposal is fundamentally based upon a concept that a permanent level or pattern of transportation has been achieved, and it is now simply a question of organizing its structure and distributing its fruits.

"To me the proposal implies the adoption of the cartel theory which in essence expounds the view that those who at one time, either themselves or more often their predecessors, made signal contributions to the advancement of civilization are, by reason of that fact, entitled to an existence in perpetuity at the expense of society in general without making any further contributions.

"This proposition I hold to be fundamentally unsound and untainable, no matter how desirable it might appear to be. Perfection is always sought, but perfection is never actually attained. It seems to be the fate of humankind always to be looking to new horizons.

"Transportation, like communication, is a basic activity in modern society. Reaching new and higher levels of comfort and happiness through other human activities depends in a very real sense upon progress in transportation . . .

"I say that our country has grown great because it has not stifled the profit motive, but because it has encouraged enterprise and protected freedom of opportunity."

Partial as Bad as Total Integration

Now let me turn to another proposal which affects the development of air transportation. Not long ago Mr. Almon Roth of the Institute of American Shipping talked before this body and suggested that steamship companies be given wider participation in air transportation. Thus, he was urging "partial integration." It is the view of the aviation industry that partial integration is just as bad as total integration and the industry has reached this conclusion on the basis of just about the same reasons.

The steamship companies' complaint is that if they are not permitted wider participation in air transportation the merchant marine will be driven from the seven seas and that in order to save the merchant marine in which there is a great public interest the steamship companies must be permitted to operate airplanes. Even if it were assumed that the shipping advocates were right and that the merchant marine was to be destroyed, that does not seem to be an adequate reason for carrying air transportation down with it.

Actually, the merchant marine will not be destroyed. It is not possible here to trot out all of the statistics of steamship earnings from various classes of traffic and the steamship rates applying to those classes of traffic, but it is quite clear from the study of those figures that the possible diversion from the steamship to the aircraft is not more than 10% of the gross earnings of the steamship companies during the last typical pre-war year.

Actually, even this diversion will not take place, for it is based on the very unlikely assumption that the steamship companies will fail to develop new compensating business and that the advent of the airlines will not create additional trade and travel.

But Admiral Land, Chairman of the Maritime Commission, has declared—and I quote—

"I believe that we'll need more ships because the airplane will develop interior regions of countries which hitherto have been difficult to reach by any other transportation."

No Traffic Diversion

Air transportation will succeed, gentlemen, not upon business taken from other carriers, but upon traffic developed through its own efforts. That has certainly been the case where air service to the Latin American countries has resulted in additional passenger traffic for the steamship lines.

In fact, throughout history improvements in means of transportation have always resulted in corresponding increases in total traffic. Our coastal fleet had been carrying almost double the cargo of our foreign ships while meeting the competition of the much faster rail service for three quarters of a century and of the airplane for a decade.

In any event, if our objective is, as it must be, to develop air transportation to the maximum, we cannot afford to place its destiny in the hands of the steamship companies. It has been argued that the steamship companies would actually set out to retard the development of air transportation but it is not necessary for me to go to that extreme. It is quite clear that the best that we can expect out of the steamship companies is an impartial attitude toward air transportation. They would sell passage on the ship or on the aircraft and it would not make much difference which. This attitude would retard the development of both the aircraft and the steamship because neither one of them has reached its present size and status in the hands of men who were impartial.

The reason air transport has been developed is because those who managed it were completely sold on that form of transportation and bent every effort to see to it that every one else was.

You have all met air transport traffic men and I am quite sure that you have never been given the impression that they would just as soon have you travel by rail.

This same theory applies not only to air transport but to every other form of transportation. How much would the trucking industry have developed had the railroads assumed control of it and been impartial as between it and the railroad?

How far would the bus have come if it had always been under the control of its competitor?

The reason we have the greatest air transport system in the world is because a wise Congress told its competitors bluntly to stay out and that policy must continue if we are to realize a lot of these air transport dreams that have been going about.

In closing, let me quote something from General Hap Arnold:

"We have learned and must not forget that from now on air transport is an essential of air power, in fact, of all national power. We must have an air transport organization in being, capable of tremendous expansion.

"Another lesson taught in this war is that a healthy, self-sustaining commercial air transport industry is vital to the realization of effective air power. The contribution to the military of our competitive civil carriers in equipment, trained personnel, operating methods, and knowledge have been of first importance in this war.

"Yes, we of the Army Air Forces are proud of our past, but tonight our preoccupation is not with the past but with the future —America's future. For our future lies in the air."

With our course marked out for us—with the airplanes and—yes —the airlines, fitting in as an instrument of peace—an instrument in the promotion of world commerce and world amity—it is evident that free enterprise must be our credo in the future as in the past.

The men charged with aviation

Full Employment Under S. 380 And the Beveridge Plan

(Continued from page 931)

laws, adopted according to the party line and without benefit of searching popular criticism.

There is a more effective kind of argument than that which features free enterprise. In place of hazy ethics, dubious history, and road maps to serfdom, it uses facts. It wins the attention of that growing number of persons who feel no particular tenderness for capitalism, yet who are honest enough to look critically at its substitutes and modifiers. Only from this open minded group can enough public opinion be recruited to shore up the enterprise system, if proposed social legislation is shown to be poorly thought out and probably unworkable, whatever its effect on capitalism.

The pending Full Employment bill (S. 380, sponsored by Senators Murray, Wagner, and others) offers a good opportunity for this kind of analysis. It should be compared with its superficially similar counterpart, Sir William Beveridge's plan in his recent book, "Full Employment in a Free Society." For there are two significant things about the Beveridge plan. It bluntly proposes to modify the free enterprise system. And there is nothing to keep it from working—in Great Britain.

Beveridge Plan Not Transplantable

Advocates of S. 380 seem to think that it is a sort of American replica of Beveridge, and that it would work. Its opponents correctly see that Beveridge would change the face of capitalism and they dread the same result here. What they should do is to show, if they can, that Beveridge cannot be transplanted in the United States through the simple terms of S. 380, and that the proposed social benefits are therefore doubtful.

The most spectacular feature of the Beveridge book is widely familiar and has been faithfully reproduced in S. 380. Both propose a "new type of annual budget," under which the government, in Sir William's words, "must propose for that year public outlay sufficient, with the estimated private outlay, to employ the whole manpower of the country, that is to say sufficient to make the assumption of full employment come true." Senator Murray's bill lays down that "to the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment." This would be done under the National Production and Employment Budget, which the President shall submit to Congress each year.

Neither plan guarantees everybody a job, in the sense that anybody who is unable to get a job may obtain one, or the money equivalent, by presenting his claim to the government. But in both cases the government must perform the actions called for by its estimates, including the spending of money, in order to cancel any prospective unemployment.

This looks as plausible and workable for the United States as for Great Britain until the differences between the British and American systems of appropriating money are examined. In Great Britain the same cabinet which sanctions the unemployment estimates and proposes the outlays is in fact the appropriating authority. Here, the President will present the Budget and Congress will do the appropriating. The British government can do what the cabinet proposes to do, for the cabinet is the "Government." Whether our government can do what the executive proposes to do depends on Congress.

The British cabinet, which we sometimes inadequately describe as the executive committee of Parliament, actually holds the reins of authority tightly grasped in its own hands. It initiates and executes legislation, while Parliament plays the role of critic, adviser, watch dog, debating forum—and ratifier. Only when it takes the grave step of overthrowing and dismissing the government, which it can only do by dismissing itself, does Parliament assert its ultimate authority. On such an occasion it merely exchanges a master with whom it disagrees for another representing its own will, or changes its will to agree with the old master.

In matters of taxing, borrowing and spending, in particular, the cabinet's power is historically entrenched. If the cabinet budgets £200,000,000 for full employment, that amount and no more will be spent unless the government is thrown out of office. Individual members of Parliament are powerless to change the total and do not even bring in their own appropriation bills. This impotence of Parliament is also shown in the matter of tariff rates. While our Congress indulges in an orgy of horse-trading in making a tariff, British rates are made by an Import Duties Advisory Committee of which few Americans have even heard. Its word is law, which Parliament duly ratifies.

This method of financial control is, of course, totally foreign to the American system, which is rooted in the three-fold separation of powers decreed by the Constitution. Every Congressman has the cherished right to bring in authorization and appropriation bills which, when a session is over, may make our feeble attempts at budgeting look foolish. S. 380 specifically reasserts that right. If anyone believes that a National Production and Employment Budget would fare differently from an ordinary budget, he must have drawn strangely optimistic conclusions from a drab history.

In the single matter of the proper distribution of job-generative spending, the difficulties are obvious. Government money should be spent in those areas where unemployment exists, or is likely to exist. But unemployment is not a farm problem. A member from the agricultural West who "got" nothing for his district while voting for heavy outlays in industrial New England would be throwing away reelection ammunition. It would be magnificent, but it would not be politics. The political situation would be embittered by the fact, which appears to have been largely overlooked, that money spent for jobs is also in a sense a bonus to employers, and generates profits as well as employment.

The "Multiplier"

Formidable though they are, the legislative difficulties confronting an American full employment program are not the only nor perhaps the most baffling ones. In estimating how much employment will be created by private and public spending, our National Budget maker will run headlong into the problem of the "multiplier." This impressive word has been a fascinating plaything of theoretical economics for some 14 years and is a main prop in the economic theory of Lord Keynes. S. 380 brings it brusquely into the realm of actual practice, with somewhat chilling effects.

Briefly and simply, the multiplier is that figure by which a given investment expenditure (in this case, governmental) must be multiplied in order to arrive at the total wage, salary and dividend income it will generate. It is not fixed but varies with the "propensity to consume"—that is, the mathematically expressed tendency to spend income on consumption. Keynes at one time thought that the multiplier in England was in the neighborhood of 2, so that each £1 of investment expenditure generated £2 of consumption income before its effects was played out through "leaks" in the form of debt repayments, additions to hoards and idle balances, etc. He thought the American multiplier might be 3.

Suppose there are five million unemployed workers who must be given jobs at an average wage of $1,200 a year. The wage income to be generated is $6 billions. If the multiplier were 1 (that is, if the impossible assumption held true that no worker's income expenditure provided employment for anybody else), the government would have to spend $6 billions, giving employment to all the idle. If the multiplier were 2, an expenditure of $3 billions would be sufficient; if 4, then only $1.5 billions would have to be spent. But those not directly employed would have to wait until the wave of indirectly generated income caught up with them. Congress ought to know how long this would take, and what to do for the unemployed in the meantime. Evidently, the basic trouble is the proposal to provide jobs for all the unemployed with mathematical exactness, in a situation where even approximate calculation is impossible.

No one knows what the American multiplier was or is today, or how long it will remain what it is. Mr. John H. Williams of Harvard University and the New York Federal Reserve Bank has said that he is "unimpressed" with attempts to calculate multipliers statistically. Yet they must be calculated that way in our National Budget, or arrived at by pure hunch, or ignored altogether. In any case, the outlook for finding out how much money the government must spend to create a given volume of jobs (at what wage and price level?) is not bright. If we miss it seriously the attempt to set up an employment budget will go awry.

Government in Productive Enterprise

Here, again, Beveridge has cannily supplied himself with a solution, while we have not. The American budgeteers must know the multiplier pretty accurately, for S. 380 provides that the government shall not engage in productive enterprise as generally understood, but only in public works, which shall be carried out not directly but through private contractors. Being thus narrowly restricted as to how money is spent in the first instance, it must rely on percolation and repercussion to convert pick-and-shovel money into book-store or tap-dancer money, if jobs and consumption are to be spread.

Beveridge, however, puts himself under no such limitations. The British Government, he says, may engage directly in certain big consumer operations, such as the bulk purchase and resale of consumption goods. Sir William sets up the principle of Social Priorities, or putting first things first, meaning that government outlay must be directed first toward a social minimum of housing, health, education and nutrition. "The scope for free action by the citizens is in spending above that minimum." Where that much basic mass consumption is government-controlled, there is no great need to worry about how much consumption a given amount of spending will generate. The government can largely make its estimates come true.

What About White Collar Jobs?

There are other problems arising out of the restriction of American outlay to public works, in contrast to the wide variety of enterprise which Beveridge allows himself. In a year of severe business depression there would be a great boom in public undertakings. The qualitative effects of the multiplier could then produce some strange results. Unless public expenditures on pick-and-shovel and machine work automatically generated sufficient white collar jobs to absorb unemployed clerks, bookkeepers and statisticians, the fate of these sedentary people would be distressing. No amount of jobs for the callous-handed would necessarily create enough jobs for the soft-handed. Paper workers would have to be drained off into the manual occupations.

If some factor should bring on a prolonged depression, and if we are to take S. 380 literally as permanent and exclusive government policy, we would have to expect an era of rising splendor in public works coupled with growing relative poverty in housing, health, education and nutrition—the things which Beveridge puts first. This trend could become cumulative, with private enterprise being squeezed into a smaller and smaller sphere. Regardless of how they felt about the ethics and merits of private enterprise, how long would the American people be content to see their government engaged in building magnificent roads, parks, schools, sewers, bridges, and irrigation projects, which can only be fully enjoyed if they are accompanied by a vigorous expansion of the other components of a good life?

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development are ever looking to new horizons, new worlds to conquer, if you please. They are the antithesis of monopoly. They are the messengers of free enterprise, and it is with free enterprise that we have become the nation we are today.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 936)

National Bank Building, Grand Rapids, Mich.

Baker-Raulong 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 and New Bedford Rayon.**

Beech Creek Railroad—circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Benguet Consolidated Mining—circular—F. Bleibtreu & Co., Inc., 79 Wall Street, New York 5, N. Y.

Also available are memoranda on **San Mauricio Gold Mines** and **Mindanao Mother Lode Mining.**

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

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

Central & Southwest Utilities Co.—timely analysis of interesting public utility—Thornton & Co., 60 Wall Street, New York 5, N. Y.

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

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

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

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

Continental Aviation & Engineering—Study of outlook and possibilities for this company which is a factor in the field of jet propulsion—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; Continental Aviation & Eng.; Michigan Chemical and Purolator Products.

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

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.

Florida—Bulletin of pertinent data on the State of Florida—Allen & Company, 30 Broad Street, 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 post-war outlook—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

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

Also available is a memorandum on **Thermatomic Carbon Co.** and a new analysis of **Panama Coca-Cola.**

Heyworth, Ill., Water Revenue Bonds—analysis—Benjamin Lewis & Co., Field Building, Chicago 3, Ill.

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.**

(Continued on page 959)

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY AUG. 30

CONSUMERS POWER CO. on Aug. 16 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.

Details—See issue of Aug. 16.

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

Underwriters—The names will be filed by amendment.

GENERAL MILLS, INC., on Aug. 16 filed a registration statement for 100,000 shares of cumulative convertible preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Aug. 11.

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. Warrants will expire at 3 p.m. Sept. 19, 1945.

Underwriters — The underwriters are Dillon, Read & Co., Inc., Allison-Williams Co., C. S. Ashmun, Caldwell 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 Woodward-Elwood & Co.

MINNESOTA POWER & LIGHT CO. on Aug. 11 filed a registration statement for $26,000,000 first mortgage bonds due 1975. The bonds will be sold at competitive bidding and the interest rate will be named by amendment.

Details—See issue of Aug. 23.

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

Underwriters—The names will be filed by amendment.

SATURDAY SEPT. 1

FABRICON PRODUCTS, INC., on Aug. 13 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.

Details—See issue of Aug. 16.

Offering—The price to the public is $25 per share.

Underwriters—Baker, Simonds & Co., Detroit, Mich.

VALLEY OSAGE OIL CO. on Aug. 13 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.

Details—See issue of Aug. 16.

Offering—The price to the public is $12.50 per share.

Underwriters—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway, New York, N. Y.

WEDNESDAY, SEPT. 5

LELAND ELECTRIC CO. on Aug. 17 filed a registration statement for 25,000 shares of 5% cumulative convertible preferred stock (par $25) and 50,000 shares of common stock (par $3) and scrip for fractional shares.

Details—See issue of Aug. 23.

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

Underwriters—Otis & Co. and Curtiss, House & Co.

INDIANA GAS & WATER CO. on Aug. 17 filed a registration statement for $6,000,000 first mortgage bonds due 1970. The bonds will be sold at competitive bidding and the interest rate will be filed by amendment.

Details—See issue of Aug. 23.

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

Underwriters—The names will be filed by amendment.

THURSDAY, SEPT. 6

WESTVACO CHLORINE PRODUCTS CORP. on Aug. 18 filed a registration statement for 97,000 shares of $3.75 cumulative preferred stock, no par value.

Details—See issue of Aug. 23.

Offering—Holders of the presently outstanding shares of $4.50 and $4.25 cumulative preferred stocks will be afforded an opportunity to exchange their shares for the new preferred stock on a basis giving them the equivalent of the redemption value of their shares. A cash adjustment will be made in lieu of issuing fractional shares. A maximum of 95,703 shares of new preferred will be required to effect complete exchange. Shares not issued under the exchange offer, together with 1,297 additional shares, will be offered publicly by the underwriters at a price to be supplied by amendment. Unexchanged shares of the $4.50 and $4.25 preferred stocks are to be called for redemption on or before Nov. 2.

Underwriters—F. Eberstadt & Co. are named principal underwriters.

SATURDAY, SEPT. 8

PENNSYLVANIA POWER & LIGHT CO. has filed a registration statement for $93,000,000 first mortgage bonds due Oct. 1, 1975, and $27,000,000 sinking fund debentures due Oct. 1, 1965.

Address—Ninth and Hamilton Streets, Allentown, Pa.

Business—Public utility.

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

Proceeds—The net proceeds from the sale of the bonds and debentures and $5,720,000 serial notes together with cash from the general funds of the company will be used to redeem the company's funded debt which, with premiums, will require $133,396,425. The company will redeem at 106½, $93,820,000 first mortgage 3½s; at 105½, $28,500,000 4½% debentures, and at par plus a premium of $10,625, $3,400,000 2⅝% serial notes. The refunding is part of a comprehensive plan filed by the company with the Commission providing for the simplification and strengthening of its capital structure.

Underwriters—The bonds are to be sold at competitive bidding, with the interest rate named by the successful bidder. Names of the underwriters will be filed by amendment.

Registration Statement No. 2-5872. Form S-1. (8-20-45).

CROWN CORK & SEAL CO., INC., has filed a registration statement for 275,000 shares of $2 cumulative preferred stock (no par), and 86,270 shares of common (no par).

Address—60 East 42nd Street, New York, N. Y.

Business—Manufacture of bottle caps and closures.

Offering—Company is offering 225,000 shares of the $2 preferred in exchange on a share for share basis (with a cash adjustment of dividends) to holders of its $2.25 cumulative preferred stock. The company is also offering 63,710 shares of common to its common stockholders in the ratio of one share of new common for each six shares held. The subscription price will be filed by amendment. The underwriters will offer to the public initially 50,000 shares of the $2 preferred and 22,560 shares of common together with the unexchanged and unsubscribed shares of preferred and common stocks at prices to be filed by amendment. CEM Securities Corporation, one of the principal stockholders, has agreed to waive its right to subscribe to 22,560 shares of new common out of total of 25,060 shares to which it would be entitled and such shares will be sold to underwriters.

Proceeds—Proceeds will be used to redeem at $47.25 per share any of the unexchanged old $2.25 preferred stock and to provide new working capital. The latter will be used to construct additional facilities for making bottle tops and closures at Atlanta, Ga., and San Francisco and for additional machine-shop facilities at Baltimore, Md.

Underwriters—The underwriting group is headed by Paine, Webber, Jackson & Curtis.

Registration Statement No. 2-5873. Form S-1. (8-20-45).

SUNDAY, SEPT. 9

COLORADO MILLING & ELEVATOR CO. on Aug. 21 filed a registration statement for 111,890 shares of common stock, par $1. The shares are issued and outstanding. The selling stockholders are Union Securities Corp. 101,890 shares, and Joseph H. King, a director, 10,000.

Details—See issue of Aug. 23.

Offering—The price to the public is $13 per share. The underwriters are to receive $1.50 per share.

Underwriters—The underwriters are Paul H. Davis & Co., Chicago, 45,270 shares; Hornblower & Weeks, New York, and Boettcher & Co., Denver, 33,310 shares each.

MONDAY, SEPT. 10

A. S. BECK SHOE CORP. has filed a registration statement for 39,046 shares of 4¾% cumulative preferred stock and 20,129 shares of common, par $1. The shares are to be sold by certain stockholders.

Address—25 West 43rd Street, New York, N. Y.

Business—Operates chain of retail stores.

Offering—The price to the public will be filed by amendment. A. S. Beck Shoe was incorporated in 1932 as a wholly owned subsidiary of Diamond Shoe Corp. The boards of directors of the two corporations have entered into an agreement of merger providing for the merger of Diamond into Beck, which will continue as the surviving corporation. Holders of the presently outstanding 417,750 shares of common of Diamond will receive in exchange 50,130 shares of 4¾% cumulative preferred and 417,750 shares of common stock of Beck. A special meeting of Diamond stockholders will be held on Sept. 10 with respect to the merger. Certain stockholders of Diamond have agreed to sell to the underwriters for public distribution 39,046 shares of preferred and 20,129 shares of common to be issued pursuant to the merger. The presently authorized and outstanding 10,000 shares of capital stock (par $100) of Beck and the authorized and unissued stock and treasury stock of Diamond will be cancelled so that the shares to be outstanding upon the consummation of the merger as stated above will constitute the entire authorized capital stock of the company.

Underwriters—The underwriting group is headed by Lehman Brothers and Wertheim & Co.

Registration Statement No. 2-5875. Form S-2. (8-22-45).

BENSON HOTEL CORP. has filed a registration statement for $440,000 first refunding mortgage serial and sinking fund bonds series A dated July 2, 1945, due serially Jan. 1, 1946 to July 1, 1957.

Address—Third Avenue, South Tenth and Eleventh Streets, Minneapolis, Minn.

Business—Hotel property.

Offering — The offering price to the public will be as follows: $75,000 of 3s at 100.50, $84,000 of 3¼s at 100.75 and $281,000 of 3½s at 101.

Proceeds—The net proceeds from the sale, together with general funds of the company, are to be applied to the redemption at 98% of the principal amount, plus accrued interest, of its outstanding $448,510 4½% first mortgage bonds.

Underwriters—B. C. Ziegler & Co., West Bend, Wis., is named underwriter.

Registration Statement No. 2-5876. Form S-2. (8-22-45).

TUESDAY, SEPT. 11

PUBLIC SERVICE CO. OF INDIANA, INC., has filed a registration statement for $48,000,000 first mortgage bonds, series F, due Sept. 1, 1975, and 150,000 shares of cumulative preferred stock (par $100). The bonds and stock will be sold at competitive bidding, with the successful bidder naming the interest and dividend rates.

Address—110 North Illinois Street, Indianapolis, Ind.

Business—Public utility.

Offering—The price to the public of the bonds and preferred stock will be filed by amendment.

Proceeds—The net proceeds from the sale of the bonds and preferred stock, together with net proceeds from $13,000,000 bank loans and the proceeds from sale of its gas and water utility properties and general funds of the company will be used to redeem a total of $63,064,500 principal amount of bonds and notes and toward the redemption of 148,185 shares of 5% preferred stock.

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

Registration Statement No. 2-5877. Form S-1. (8-23-45).

PROVINCE OF NEW BRUNSWICK, CANADA, has filed a registration statement for $4,500,000 5½-year debentures due March 15, 1951. The interest rate will be filed by amendment.

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

Proceeds—The proceeds from sale, together with general funds of the Province, will be used to redeem at the principal amount on Nov. 15, 1945, the $4,500,000 4% debentures due Nov. 15, 1947.

Underwriters — The underwriters are Smith, Barney & Co.; Harriman Ripley & Co., Inc.; First Boston Corporation; Dominion Securities Corp.; Wood, Gundy & Co., Inc.; A. E. Ames & Co., Inc.; McLeod, Young, Weir Inc., and Hayden, Stone & Co.

Registration Statement No. 2-5878. Form Schedule B. (8-23-45).

WEDNESDAY, SEPT. 12

SPECIAL RISKS FUND, INC., has filed a registration statement for 18,980 shares of capital stock, without par value.

Address—1201 First National Bank Building, S. E. Corner Fourth and Walnut Streets, Cincinnati, O.

Business—Investment company of the diversified open-end management type.

Offering—At market.

Proceeds—For investment.

Underwriters—None named.

Registration Statement No. 2-5879. Form S-5. (8-24-45).

AMERICAN CENTRAL MANUFACTURING CORP. has filed a registration statement for 142,154 shares of common stock, par $1.

Address—Connersville, Indiana.

Business—Automobile bodies, sheet metal products, etc.

Offering—The company is offering the new stock for subscription by its common stockholders on the basis of one additional share for each 2½ shares held. The subscription price will be filed by amendment. Of the total, 85,304 shares will be offered to Aviation Corp., as stockholder, and 56,850 shares will be offered to other stockholders. Any shares not subscribed by other stockholders will be purchased by Aviation Corp.

Proceeds—The net proceeds will be used for the purchase of additional facilities or to repay in whole or in part outstanding bank loans or for both of such purposes. On Aug. 20, 1945, the company's unfilled war orders amounted to $719,849. Cancellation of an estimated $5,727,000 of the company's war contracts has been received from the end of the war to Aug. 20, 1945, and company stated other cancellations may take place.

Underwriters—None named.

Registration Statement No. 2-5880. Form S-1. (8-24-45).

MORRIS PLAN CORP. OF AMERICA has filed a registration statement for 937,500 shares of common stock, par value 10 cents.

Address — 420 Lexington Avenue, New York, N. Y.

Business — Holding company owning stocks in Morris Plan Banks and companies which make loans to specialized creditors.

Offering—The company on Aug. 21, 1945, received $7,500,000 in cash from American General Corp. as the purchase price of the 937,500 shares covered by the prospectus. The 937,500 shares are offered by American General pursuant to agreements with Morris Plan Corporation for sale at $8 per share or for exchange under certain conditions. Under offer one the holders of common stock of Morris Plan Corporation, other than Industrial Finance Corp., will be entitled to purchase 1.60 shares of common for each share of new common stock held. The holders of 7% preferred of Industrial will be entitled to purchase 18.5 shares for each share held and the holders of common of Industrial will be entitled to purchase 0.40 shares for each share held. In the event that 7% preferred and common stockholders of Industrial do not elect to purchase the entire number of shares covered by the offer they will be entitled to exchange their shares on the following basis: for each share of 7% preferred of Industrial 12.50 shares of common of Morris Plan, and for each four shares of Industrial common one share of Morris Plan. A plan announced last month provided that Morris Plan would provide the stock to be sold by changing the authorized number of shares of old common from 200,000, par $5, to 3,500,000, par 10 cents each, and to issue four shares of new common for each share of old common outstanding so that as a result 591,165 shares of new common would be outstanding.

Proceeds—The company will use approximately $4,000,000 of the proceeds for the retirement of bonds, notes and preferred stock and balance for working capital.

Underwriters—American General Corp. is named underwriter.

Registration Statement No. 2-5881. Form S-1. (8-24-45).

THURSDAY, SEPT. 13

ARMSTRONG CORK CO. has filed a registration statement for 161,522 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Address — Liberty & Charlotte Streets, Lancaster, Pa.

Business—Manufacture of linoleum, other floor coverings, etc.

Offering—The company is offering 108,528 shares to holders of common stock of record Sept. 13, 1945, in the ratio of one share for each 13 shares of common held at a price to be filed by amendment. The company also is offering 52,994 shares to holders of its 4% cumulative convertible preferred stock in exchange on a share for share basis. The exchange offer will expire Sept. 25. The underwriters will offer any unsubscribed or unexchanged shares at a price to be filed by amendment.

Proceeds—The proceeds will be used to retire at $100 per share any of the 52,994 shares of 4% preferred not exchanged for new preferred and for additional working capital. The company has appropriated $6,500,000 for the construction and equipment of asphalt tile plants and related facilities.

Underwriters — The underwriters are Smith, Barney & Co.; Kidder, Peabody & Co.; Mellon Securities Corp.; Blyth & Co., Inc.; E. W. Clark & Co.; Dillon, Read & Co., Inc.; Drexel & Co.; Eastman, Dillon & Co.; First Boston Corp.; Goldman, Sachs & Co.; Graham, Parsons & Co.; Harriman Ripley & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers; Moore, Leonard & Lynch; Morgan Stanley & Co.; Reynolds & Co.; Singer, Deane & Scribner; Stone & Webster and Blodget, Inc.; Stroud & Co., Inc., and Union Securities Corp.

Registration Statement No. 2-5882. Form A-2. (8-25-45).

FRONTIER REFINING CO. has filed a registration statement for $400,000 5% sinking fund debentures, due Sept. 1, 1950.

Address—Cheyenne, Wyo.

Business—Refining crude petroleum.

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

Proceeds—The proceeds will be used to pay off an existing loan from the Reconstruction Finance Corporation of $171,389 and to make certain changes in its refinery at Cheyenne, Wyo.

Underwriters—Boettcher & Co., Peters, Writer & Christensen, Inc., and Sidlo, Simons, Roberts & Co.

Registration Statement No. 2-5883. Form S-2. (8-25-45).

FROEDTERT GRAIN & MALTING CO., INC., has filed a registration statement for 40,000 shares of cumulative preferred stock, par $50. The dividend rate will be filed by amendment.

Address—Milwaukee, Wis.

Business—Production of malt.

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

Proceeds—The net proceeds will be added to the working funds of the company. The company recently negotiated a 20-year 3% loan from the Mutual Life Insurance Co. of New York on which it will realize $3,482,500, of which $1,781,387 will be applied to the redemption of the 15-year 3½% sinking fund debentures and the remainder will be added to working capital.

Underwriters—The principal underwriters are Schroder Rockefeller & Co., Inc., and Loewi & Co.

Registration Statement No. 2-5884. Form S-1. (8-25-45).

SATURDAY, SEPT. 15

AMERICAN TELEPHONE & TELEGRAPH CO. filed a registration statement for $160,000,000 30-year 2¾% debentures, due Oct. 1, 1975.

Address—195 Broadway, New York, N. Y.

Business — Furnishing communications service, mainly telephone service.

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

Proceeds—The proceeds from the sale are to be applied toward the retirement of the company's 30-year 3¼% debentures, due Dec. 1, 1966, outstanding in the amount of $160,000,000 which the company plans to call for redemption on Dec. 1, 1945, at 105 and accrued interest. The balance required for the redemption will be obtained from other funds of the company.

Underwriters—The debentures will be offered for sale at competitive bidding. Bids are to be received before 11:30 a.m. on Sept. 24, 1945, at which time they will be opened.

Registration Statement No. 2-5885. Form A-2. (8-27-45).

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.

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.

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.

BROCKWAY GLASS CO., INC., on Aug. 8 filed a registration statement for 10,000 shares of 5% cumulative preferred stock, par $50.

Details—See issue of Aug. 16.

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.

Underwriters — There are no underwriters.

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.

Bids Invited—Bids will be received by the company at office of Whitman, Ransome, Coulson & Goetz, 40 Wall Street, New York, at or before 12 noon (EWT) on Sept. 5, 1945, for the purchase of the bonds. The coupon rate is to be specified in the bid.

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.

CELOTEX CORP. on Aug. 9 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.

Details—See issue of Aug. 16.

Offering—The public offering price of the debentures and preferred stock will be filed by amendment.

Underwriters—Paul H. Davis & Co., Chicago, heads the underwriting group, with names of others to be filed by amendment.

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 is offering the new 4.75% preferred in exchange for its presently outstanding 6% cumulative preferred stock on a share for share basis prior to Sept. 10. The unissued shares will be sold to the underwriters who will offer them to the public at $53 per share.

Underwriters — The underwriting group is headed by Paine, Webber, Jackson & Curtis and Loewi & Co.

Phila. Municipal Men To Hold Club Outing

PHILADELPHIA, PA. — The Municipal Bond Club of Philadelphia will hold its first club outing at the Manufacturers Golf and Country Club, Oreland, Pa., on Friday, September 14, according to Carl Necker, chairman of committee on arrangements.

CENTRAL HUDSON GAS & ELECTRIC CORP. on Aug. 10 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.

Details—See issue of Aug. 16.

Offering—The shares are to be sold at competitive bidding and the price to the public will 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.

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.

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.

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.

Registration Statement withdrawn Aug. 24, 1945.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).

Details—See issue of June 21.

Offering—Price to the public is given as $35 per share.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

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

Details—See issue of April 26.

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

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

EVERSHARP, INC., on July 9 filed a registration statement for 32,500 shares of common stock, par $1. Shares are issued and outstanding and are being sold for the account of certain stockholders.

Details—See issue of July 19.

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

Underwriters—Lehman Brothers heads the underwriting group.

HAMILTON RADIO CORP. on July 27 filed a registration statement for 150,000 shares of its common stock, par $1, of which 100,000 shares are to be offered presently to the public and 50,000 shares reserved for the conversion of warrants, and 50,000 common stock purchase warrants.

Details—See issue of Aug. 2.

Offering—The common stock is being offered to the public at $5.75 per share. The common stock warrants entitle holder to purchase shares at $5.75 per share before Aug. 1, 1950. The company proposes to sell 30,000 of the warrants to underwriters, 15,000 to Adolphe A. Juviler, President and Treasurer, and 5,000 to Percy L. Schoenen, Vice President and Secretary, at 10 cents each.

Underwriters—Van Alstyne, Noel & Co. is principal underwriter.

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 betwen 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.

JEFFERSON LAKE SULPHUR CO., INC., on Aug. 9 filed a registration statement for 167,000 shares of common stock, $1 par.

Details—See issue of Aug. 29.

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.

Underwriters—D'Antoni & Co., New Orleans, is the principal underwriter.

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 is being offered to holders of common stock of record Aug. 23 at $51 per share at the rate of one share of preferred for each six shares of common.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane is the 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.

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.

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.

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.

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 ranges from 99 to 102. The average price to the public is given as 100.47.

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

ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Details—See issue of March 8.

Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.

Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion. The company also proposes to refund the $4,806,000 first mortgage bonds, 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.

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.

STANDARD FORGINGS CORP. on Aug. 10 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.

Details—See issue of Aug. 16.

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

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

SUN-KRAFT, INC. on August 8 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.

Details—See issue of Aug 16.

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.

Underwriters—Floyd D. Cerf Co. is named principal underwriter.

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.

Bids Requested—Company is inviting bids to be received at office of Counsel Poppenhusen, Johnston, Thompson & Raymond, 11 So. La Salle St., Chicago, up to 11 a.m. CWT, on Sept. 5 the interest rate to be specified in the bids.

Small Business Wants Tax Laws Revised

A survey made by the deans of 52 State university schools of business among 10,000 executives of small businesses indicates that small business wants income tax laws changed to remove double taxation of corporation dividends and allow for building reserves.

Broker-Dealer Recommendations

(Continued from page 957)

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 Paper & Type—Descriptive memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Eastern Corporation.**

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 Philadelphia & Reading Coal & Iron Co.—report reviewing the completion of the capital readjustment of the second largest producer of anthracite coal—Stern & Co., 120 Broadway, New York 5, N. Y.

Pan American Airways Corp.—discussion of interesting outlook as a speculation—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available are copies of the **Fortnightly Investment Letter.**

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

Public National Bank & Trust Company—Analysis—for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, 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.

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

Simplicity Pattern Co., Inc.—analysis for dealers only—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Southeastern Corporation—study—Allen & Company, 30 Broad Street, New York 4, N. Y.

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

Airport Construction Aid Bill is Delayed

A Senate controversy over which committee, the Interstate Commerce Committee, headed by Senator Wheeler (D.-Mont.), or the Commerce Committee of which Senator Bailey (D.-N. C.) is chairman, should handle legislation dealing with domestic aviation may result in a delay of several weeks in action on the $500,000,000 Federal aid airport construction bill, for which many States and municipalities have been pressing, according to Associated Press advices from Washington, July 10. These advices state that Senate leaders had already decided in any event that the measure should not be brought up until after action on the United Nations Charter and the Bretton Woods monetary agreements.

Senator Bailey's group, the Associated Press stated, had approved the airport bill after lengthy hearings. Senator McCarran (D.-Nev.), its author, sought to bring it up yesterday but was dissuaded from pressing for action. Majority Leader Barkley (Ky.) told him he wanted to keep the decks clear for the big foreign policy measures. The press advices from which we quote went on to say:

Then Senator McFarland (D.-Ariz.), a member of Wheeler's committee, announced that he would oppose consideration of the measure until the jurisdictional dispute is settled. The result may be a lengthy Senate debate over the prerogatives of each of the two committees.

Meantime, many of the States are holding up plans for post-war airport construction to see what the Federal Government will do. A group from the South Carolina Legislature is here now conferring with the Civil Aeronautics Authority on aviation prospects for that State.

Mr. McCarran's bill provides for distribution of $100,000,000 a year for five years to the States under a formula based one-half on the State's relative population and one-half on its geographical area. The States would have to match the Federal funds.

Increase in Individual Savings Reported

The Council of Insured Savings Associations of New York State announced on July 19 that its 37 member associations had shown a 14.6% net increase in individual savings accounts or $19,261,105 for the first half of 1945. Savings accounts in June increased by $4,893,785 or 3%, the largest monthly increase on record. Home Mortgage loans closed totaled $15,359,766 for the first half of 1945, representing a 44% increase over the $10,669,139 loaned on homes in the first half of 1944. July marks the second anniversary of the Council. Beginning with 25 member insured savings associations in July, 1943, with resources of $128,214,776 the Council has grown to 37 members with $213,919,714 of resources on June 30. In that two year period savings accounts increased by $50,384,460 or 46.4%.

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.

Winters & Crampton—Up-to-date analysis on current situation—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market moved up last Thursday with confidence, following the announcement of the dates, the amount to be raised and the type of securities that would be offered in the coming Victory Loan. . . . Many of the psychological uncertainties which have been potent market factors recently, were removed when this information was made public. . . . The advance continued on Friday, with the result that nearly all of the bank eligible taxables had recovered most of the losses that had been registered on light volume, since Aug. 14, the day of the announcement that the Japanese had surrendered. . . . The partially exempts and the restricted issues made progress on the upside, but were under the levels of that day. . . .

The market continued to display strength this week as investors and dealers prepared to adjust their positions to the new financing. . . . The long partially exempts and the longest bank eligible taxable were in demand. . . .

LOAN DETAILS

The Victory Loan will start on Oct. 29, and extend through Dec. 8. . . . The amount to be raised will be $11 billions, with $4 billions to come from individuals including $2 billions of Series "E" Bonds. . . . The balance of $7 billions will come from other non-bank investors. . . . In addition to the Series E, F and G Savings bonds and the Series "C" Tax Saving Notes, the marketable issues that will be offered are the ⅞% Certificates due Dec. 1, 1946, the restricted 2¼% Treasury Bonds due Dec. 15, 1959/62 and the restricted 2½% Treasury Bond due Dec. 15, 1967/72. . . . The restricted bonds are six months longer in maturity than those offered in the Seventh War Loan. . . .

Straight commercial banks will not participate directly in the drive. . . . However, commercial institutions with savings deposits will be allowed to buy limited amounts of the F and G Savings Bonds, and the marketable drive issues, from Dec. 3, through Dec. 8. . . . The extent of their direct participations will be announced later. . . .

Also from Dec. 3 through Dec. 8, non-bank investors will subscribe to the marketable issues, with subscriptions by insurance companies and savings banks to be subjected to limitations that will also be announced later. . . . Deferred payments will be permitted for subscriptions to the 2¼s and 2½s by life insurance companies, savings banks and municipalities up to Feb. 28, 1946. . . .

Trading will not take place in the Victory Loan marketable issues until Dec. 10. . . .

MARKET POSITION IMPROVED

The starting of the Victory Loan on Oct. 29, had a good effect on the market, since the financial district was pretty much under the impression that it would come near the end of September. . . . However, on Tuesday, Aug. 21, the news was quite general that the drive would not begin until the end of October. . . . This resulted in a better market tone which has carried on through. . . . The goal of $11 billions was a billion under what has been expected by the financial community. . . . The securities to be available in the coming loan embodied some element of surprise in certain quarters, since it was believed that a 1¼% note or the 1½% bond would be included in the package. . . . On the other hand there were many in banking and trading circles that were expecting only a certificate and the restricted 2¼s and 2½s. . . .

The fact that drive will not take place until the latter part of October has improved the technical position of the market, since it will give dealers and traders more time in which to adjust their positions to the new offerings. . . .

INTEREST ACCRUAL

Interest on the Victory Loan 2¼s and 2½s will accrue from Nov. 15. . . . Accordingly, if the outstanding Seventh War Loan restricted 2¼s and 2½s were sold now, by individuals, the loss of interest until Nov. 15 would be equivalent in price to about 15/32 and 17/32 respectively for these bonds. . . . Taking this into consideration, along with the price differential that should be in favor of the Seventh War Loan restricted 2¼s and 2½s since they will be six months shorter than the Victory Loan bonds, and some premium that the new issues usually have, it seems as though the recently issued outstanding restricted 2¼s and 2½s have quite fully discounted the new financing, at these levels. . . .

For those who cannot subscribe for the new bonds until Dec. 3, the loss of interest equivalent in price, if the Seventh War Loan restricted issues were sold now, would be approximately 19/32 for the 2¼s, and 21/32 for the 2½s. . . .

Normal portfolio adjustments will still be allowed, although it is not expected that the life insurance companies and savings banks will do much of this until they know what restrictions will be put on their purchases in the coming drive. . . . No doubt this provision will have a stabilizing effect on the whole market. . . .

COMMERCIAL BANKS

The commercial banks are entirely out of the drive, aside from some limited direct participation by those institutions having savings deposits. . . . The limited direct subscriptions to the restricted issues by commercial banks with time deposits was probably to give these institutions, many of which are more largely savings banks than commercial banks, some measure of equality with the mutual savings banks. . . . It no doubt also has the purpose in mind of keeping the smaller commercial banks out of the longer term high coupon bank eligible obligations. . . . The latter advanced sharply before the Seventh War Loan when it was believed and later substantiated that the banks would participate only to a limited extent in the low coupon middle term issue. . . .

The coming Victory Loan will be the second drive in which there will be no marketable securities offered that the commercial banks can buy when the campaign is over, aside from the certificates, of which there is no current shortage. . . .

There will be no increase in the outstanding amount of notes, intermediate or long term bonds that these institutions can purchase when the drive ends on Dec. 8. . . . The only increase that will take place in these obligations will come when the insurance companies, savings banks and other investors decide to sell certain of these issues which they now own. . . .

This should mean that any selling of the bank eligible issues for "normal portfolio adjustments" should be very readily taken by the commercial banks. . . .

BANK ELIGIBLES

It was pointed out that for the year 1945 up to Dec. 8, barring changes in the present financing policy, which is not looked for, the amount of outstanding bank eligible bonds will have been increased by only $2,628,000,000, a very minor addition to the total. . . . This is the Seventh War Loan 1½% due 12/15/50. . . . The Treasury by such a financing program is again creating a shortage of the intermediate and long term bonds that the commercial bank can buy, which will result eventually in higher prices for these obligations. . . . This will tend to lower the level of interest rates. . . . The return flow of currency from circulation will create large excess reserves which will further press on interest rates. . . .

With the whole level of interest rates trending down the time will then be opportune for short term low coupon financing to the commercial banks which is what many believe the Treasury is preparing the market for. . . .

Based on this idea, money market experts are recommending the purchase of the presently outstanding bank eligible issues. . . .

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Lester Karow Is With Varnedoe, Chisholm

SAVANNAH, GA. — Lester Karow has become associated with Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building. Mr. Karow was formerly a partner in Seabrook & Karow, of Charleston, S. C., and has recently been serving as a Major in the U. S. Army.