Final Edition

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Volume 162 Number 4430

New York, N. Y., Thursday, October 18, 1945

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lars' worth of sterling for

goods and services pur-chased during the war. In ad-dition, Eng-land has sacri-

ficed most of

her foreign in-vestments as a result of war

purchases. Her exports have declined

sharply as a result of the

war, and at present, it will

Inflation Control and Treasury's Borrowing Policy By BENJAMIN M. ANDERSON, Ph.D.

Professor of Economics, University of California

Dr. Anderson Warns That the Treasury's Low Interest Rate and Borrowing Policy Is Leading to Unavoidable and Ruinous Inflation. Likens the Present U. S. Policy to That of France in First World War, Which Led to Drastic Inflation and Depreciation of Franc. Says That Because the National Debt Is Largely Unfunded and Held Excessively by Banks, and Because Interest Rates Are Artificially Kept Low, a "Pathological" Credit Condition Is Fostered. Recommends That Government Bonds Be Refunded at Higher Interest Rates, That Drastic Federal Economies Be Adopted, That Price Controls Be Removed, and That All Inflationary Money and Credit Policies Cease.

(The paper given below was prepared by Dr. B. M. Anderson as of May 10, 1945, but he thought it unwise to release it to the press before this. Dr. Anderson believes the figures



today would be even more unfavorable than those used on May 10. He also states that the close of the war invalidates none of his recommendations. On the contrary, he thinks that with the drop in war expenditures the Federal Government may embark upon a spending spree of another variety and that, consequently, we may now have "our last real chance to fund the debt at reasonable rates of interest, and to get control of the inflationary flood of money and currency without the use of pretty violent measures.' Editor.)

The situation with respect to our public debt, our banking system and our currency has grown extremely dangerous as a result of the unsound policy which the Treasury

ing. It is essential that there be the frankor discussion regarding the matter while there is still time to reverse the policy and to avoid a ruinous inflation.

We can avoid a ruinous infla-tion if we act promptly, but not, I believe, unless we do act

The public debt has already grown to a gigantic figure and promises to be much bigger before the war is over.

The ease with which the Treasury has been borrowing money at fantastically low rates of interest from the banks and the

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Federal Reserve banks has generated a false sense of financial omnipotence which is encouraging the demand for great postwar extravagances, both for governmental financing of exports to foreign countries and for unbearable governmental expenditures at home. at home.

France in World War I and th United States in World War II

How dangerous our position is may best be revealed by a comparison of our war financing in World War II with that of France in World War I. It will be re-

(Continued on page 1837)

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The Sterling Problem

Professor of Economics, Brooklyn College

Contending That the Sterling Area Has Acquired a Statutory Definition and Now Is a Tradition in International Trade, Dr. Wright Maintains That It Has a Flexibility Which Gold Reserves Do Not Have, and That It Provided the Mechanism for Sterling Exchange Control. Says That a War Between the Dollar and the Sterling Area Would Lead to Depression and Monetary Depreciation and Holds Solution of the Sterling Problem Is as Serious to the U. S. as to Britain.

It is not easy to state the sterling problem in simple terms. In brief, England owes the rest of the commercial world some 14 to 20 billon dol-

Federal Tax Revision— Its Scope and Pattern

By Dr. JOSEPH J. KLEIN*

Authority Analyzes Recent, Pending, and Prospective Tax Law Changes. Considers Them Mere "Bites" and "Tinkering" With the Existing Statute Which Is Termed Inadequate, Infinitely Complicated, Arbitrary, and Inconsistent. Advocates Expert Commission to Draft Overall Long-Term Reform. Sound Budget and Debt Management Regarded Indispensable.

Very naturally there is no end to discussions of World War II's legacy to civilization: This brief summary is restricted to a discussion of some the domes-

tic budgetary and tax phases of the economic and fiscal aspects of that legacy. It is necessary consider the budgetary the budgetary phase because Federal expenditures must determine the measure of the peace-time tax burden which we have tax burden which which which we have tax burden which which we have tax burden which wh

den which we shall have to bear. And in considering the budget, one of the most significant items is the na-

tional debt both the interest thereon (estimated at \$4.5 billion for the current fiscal year) and policy with respect to management of the debt (officially estimated to reach \$273 billion next June 30, 1946, although it was *Dr. Klein is a member of the

New York Bar; senior partner, Klein, Hinds & Finke, Certified Public Accountants; past President, New York State Society of Certified Public Accountants; member of Council, American Institute of Accountants; stitute of Accountants; former tax editor, New York Globe & Associated Newspapers, Inc.; author of "Federal Income Taxation" and books on accounting; Associated Professor of Taxation, City College lege.

(Continued on page 1830)

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Dr. Ivan Wright take a long time to regain even the prewar level of exports. It is claimed in England that she It is claimed in England that she must gain not only her prewar level of exports, but increase these at least 50% if she is to survive. The reason for the need of increase in exports is, of course, the loss of her foreign buying power through the sacrifice of her investments and the problem of paying sterling debts already due.

(Continued on page 1844)

Index of Regular Features on page 1864.

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The Threat of Inflation

By J. H. RIDDLE Vice-President, Bankers Trust Company, New York

Mr. Riddle Lists as the Potent Inflationary Forces (1) the Large Money Supply; (2) Heavy Deferred and Potential Demands for Goods; (3) High Labor Costs; and (4) Government Inflation. Holds That When the Accumulated Liquid Assets Are Added to Expanded Money Volume, Expenditures Will Outrun the Current Production and There'll Be a Goods Shortage. Says Wages Have Run Ahead of Price Increases and This Discourages New Enterprise and Additional Production, While the Administration's Spending Policy Is Similar to That in Europe After World War I, Which Led to Drastic Inflation. Concludes That Despite Restraining Influences of Price Controls and Increased Production, There'll Be No Return to Prewar Prices.

Commodity price changes may be small and spotty during the next few months while demobilization and reconversion are under way. It is generally assumed that the volume of business activity and the gross national product will continue to decline until toward the end of this year, and that after leveling off for a month or so they will turn upward

again. During this period of rapid contraction in the total volume of business the prices of some surplus materials may materials may decline a little; other products in short supply may rise, but for a few months the upward tendency may be dency may be restrained somewhat by



price controls. J. H. Riddle
It is doubtful, however, whether there will be any material decline in the general price index during this reconversion period in spite of the big decline in war production and big decline in war production and pay rolls. Building materials and most durable goods will be in strong demand, and there will be no surpluses in clothing and textiles, rubber goods, paper products, and a host of other compatible. modities. Foodstuffs may be more plentiful and some prices may sag a little, but foreign demands will continue heavy and domestic consumption high. Furthermore, Government support will be available for many agricultural prices at 90% of parity.

It seems likely that for the next It seems likely that for the next two or three years the inflationary forces will be stronger than the deflationary forces and that there will be some rise in the general level of commod-ity prices. Some raw mate-rials and basic products such as wheat, cotton, and wool, and perhaps a few metals, may be in sur-

(Continued on page 1846) Segal Lock & Hardware

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The Present Level of Stock Prices

By BENJAMIN GRAHAM

Chairman of Security Analysis Department of New York Institute of Finance; Co-author "Security Analysis," etc.

Authority Points Out Favorable and Unfavorable Factors Affecting the Stock Market. Analyzes Current Equity Prices From the Historical Approach, From the Appraisal Method, and From Prediction of Future Developments. Concludes That the Speculator May Well See Higher Prices, but the Long-Term Investor Should Significantly Lighten His Holdings.

If the stock market advances a short distance farther it will reach the highest levels in 15 years. This apparently imminent event makes it

timely to examine the facts and prospects behind the market with a some-what careful and critical eye. In this article we shall write not as a technical market analyst, but as a student of security values and also as a close observer of the beha-vior of the security mar-



Benjamin Graham

kets for more than 30 years.

This long experience crystal-lizes into an attitude or philosophy which can be expressed in two somewhat subtle rules, viz:

1. Be skeptical of the popular reasoning behind any spectacular move in the stock market—but don't be too sure this reasoning is wrong.

2. The broad pattern of market action in the past is the best guide

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to the future—but it is not an in-

A useful way to reach a conclusion—or an impasse—as to the soundness of the present market level would be to list and compare the more important factors that are favorable or unfavorable. that are favorable or unfavorable to a continued advance. The lowing suggest themselves:

Favorable

1. Inflationary factors, includ-ng the huge cash holdings of the public.

2. Low interest rates.

2. Low interest rates.
3. Improvement in corporate working capital.
4. Certainty of lower tax rates.
5. The prospective "restocking boom"

6. The prospective high level of business activity associated with the full-employment philosophy.

Unfavorable

1. The historically high market level.

2. The absence of a really sub-

stantial recession in stock prices since April, 1942.

3. The virtual disappearance of

(Continued on page 1856)

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Distribution Problems Of Reconversion

Director of War Mobilization and Reconversion

Reconversion Director Stresses the Peacetime Responsibility of Dis-Attainment of Full Production and Full Employment, and er Problem Is to Curb Inflation by Preventing Runaway Prices Arising From Heavy Backlog of Consumer Demands. Points to

Mistakes After Last War in Permitting Price Rises and in Over-Accumulation of Inventories and Approves the Absorption by Distributors of "Moderate" Price Increases Granted Manufacturers. Says Reconversion and Surplus Disposals Are Progressing Satisfactorily.

When I looked over your program for this seventeenth annual conference and saw the many distinguished gentlemen who would

you wanted
me to listen to you!
I understand I understand you gentlemen have had a little difficulty with prices and costs.

Before proceeding to my sub-ject "The Expanding Market," I would like to take this oppor-tunity to express the appreciation of your Government for the mag-nificent job you men and women engaged in the distributive trades have performed during the war

years.

No group on the home front has aches over the necessary wartime controls than you have. In a large measure, the success of those controls in holding the line against inflation can be attributed to your cooperation. Without the support of the vast majority of wholesal-

*An address by Mr. Snyder before the Deventeenth Annual Con-ference on Distribution, Boston, Mass., Oct. 16, 1945.

w the many distinguished gentlemen who would address you, I lefelt greatly complimented at your invitation. But when I saw the matters you were going to discuss — "Price Trends" and "Distributive Costs — Will They Rise?" Il couldn't be sure whether you asked me up here to listen to meor whether you wanted!

"Ou gentlemen difficulty withing to my subing Market," In the many distinguished gentlemen who would address you. I left in the matters would not have succeeded.

The importance of distribution has not been sufficiently emphasized when we talk of a peacetime prosperity founded upon full: production and full employment. This objective cannot be attained without an adequate and efficient system of distribution to move the products of factory and farm, and place them in the hands of the ultimate consumer. The distributive trades have always been bulwarks of our system of independent and free enterprise.

During the war years the dramatic stories about the production miracles performed by manufacturers and farmers tended to obscure the equal miracle of distribution. Too often the distribution. Too often the distribution was the forgotten man on the sidelines while the bands played for the raising of "E" Pennants over factories and while certificates of merit were being handed out.

icates of merit were being handed

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Despite shortages that beset you Despite shortages that beset you on every side your customers throughout each of the war years were able to buy more than they had ever bought before and our civilian population and Armed Forces remained the best fed, the best clothed and the best equipped in the world. Such accomplishment in the face of all (Continued on page 1858)

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The Financial Outlook

By RAYMOND RODGERS*

Professor of Banking, New York University School of Commerce, Finance and Accounts

Professor Rodgers Predicts That There Will Be an Increase in Bank Deposits During the Next Year Both for the Country as a Whole and for New England. Sees Increase in Bank Loans if Banks Liberalize Loan Policies and Enter the Consumer Credit Field and Says That Because Interest Rates Will Remain Low, There Will Be a Large Volume of New Financing and Banks Will Increase Their Bond Portfolios. Sees No Immediate Danger of Inflation or Deflation.

The shooting side of the war is ended. But the economic side of the war is far from ended. No man in this audience will live to see the effects and in-

fluences of World War II completely
disappear
from the
banking system. The end
of the shooting war, none-theless, means that the military will no longer dictate the economic policy of the country and will naturally have far-reaching influences on our financial institu-





In the limited time we have to-day, I cannot cover all of the fi-nancial consequences of the termination of actual hostilities, so
I shall concentrate on the effect
of what is euphemistically
termed "the end of the war" on deposits, on loans, and on invest-

Bank Deposits to Increase

Let us analyze first the movement of deposits. This is most important because both loan and investment policy should be based on the anticipated movement of deposits. The main thing to un-

*An address by Dr. Rodgers be-fore the Fifteenth New England Bank Management Conference, Boston, Oct. 11, 1945. (Continued on page 1852)

A French Financial Expert Speaks By HERBERT M. BRATTER

Special Correspondent of the Commercial and Financial Chronicle

The Franc to Go Lower. Position of Gold as Currency Changed. International Bank Expected to Help French Industry. Not Necessary to Nationalize Bank of France. Nationalization and Socialization of Industry Still in Doubt.



Herbert M. Bratter

position of the franc, the expectation of relief coming from the Internation all Bank to be set up as a result of the Bretton Woods Conference, the pectation

PARIS, FRANCE.—Coming in contact with a French financial expert, who occupies an important position in shaping French financial policies, and policies, before a nd policies. He spoke of the present and future position of the franc, the ex-

A readjustment of the external value of the franc sooner or later is inevitable. The question is how to time it from the political standpoint. There is also the question of the proper timing from the economic standpoint. (The latter refers to the fact that France is now importing more (Continued on page 1859) A readjustment of the external

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What About Foreign Loans?

President, Investment Bankers Association of America

Maintaining That the Disagreements Over Bretton Woods Proposals Was Due Mainly to a Conflict Between the "Do Good" Spirit and Sound Banking Principles, Mr. Folger Points Out That as the Greatest Burden in Supply Capital for the International Banks Falls on U. S., "a World Hungry for Dollar Credits Will Beat a Path to Our Door." Asserting That Since Investment Bankers Will Have the Job of Selling Foreign Bonds Guaranteed by Bank, They Should Have a Part in the Plans and Councils of the Flotations. Sees Need of Exemption From SEC Regulations and Calls for Collaboration of Government, Bankers and Business in Floating Foreign Loans.

Except for brief and usually repented intervals, Uncle Sam has cast a jaundiced eye upon International Banking. He went on quite

cast a jaundice
a foreign
lending spree
during and
after the last
war. The
headache
which followed was so
terrific the
Johnson Act
was passed was passed, which made it which made it illegal to even think about taking a little nip from the International bottle. Bankers were put in the dog house and Jol Uncle Sam said, "Never again."



John C. Folger

No one likes to recall the last spree, but it is interesting to note the eventual pay-off on foreign bond issues floated by bankers while not good, was better than most people realize. On the \$9 billions of foreign bonds sold in this

*An address by Mr. Folger before the Mississippi Valley Group of the Investment Bankers Association, St. Louis, Mo., Oct. 12 1945. Mr. Folger is a partner in Folger, Nolan & Co., Washington

country in 1920-1935, the pay-off to date, plus market value of bonds outstanding, indicate we bonds outstanding, indicate we shall get back principal but not much return on our money. Of the \$11 billions of foreign loans which the Government made between 1914-1920, less than 5% was collected. The latter loans, in reality, were part of the cost of World War I, just as lend-lease is part of the cost of World War II. The poor pay-off, however, gave foreign credits a black eye. People now ask: "Are things going to be different this time?" It is important to consider the factors portant to consider the factor which can make them different.

Americans may rule out foreign lending. They may try to rule out liquor. But one thing is deepseated in the American breast and it is the desire to "do good." The "do gooders" always get a hearing. The vigorous debate over
Bretton Woods was largely the
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(Continued on page 1860)

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"A Big Sales Job Ahead"

By JAMES J. NANCE* Vice-President of Zenith Radio Corporation

Claiming That the Vulnerable Spot of Industry, Like Achilles' Heel, Will Be Inability to Keep Up Consumer Demand, Mr. Nance Calls Upon Management to Become Sales Minded. Points Out That in Post-War, Unlike the Pre-War and War Periods, There Is Not Likely to Be Heavy Government Deficit Spending to Create Consumer Demand, if Private Industry Is to Continue, and Urges Strenuous Sales Activity as Means Creating Employment and Business Prosperity. Sees No Danger of Inflaton Because of Large Producing Capacity.

We are now actually in that post-war period for which we planned. Our plans have come home to roost, and are ready for

nation. This problem, however, is only temporary, except for one thing: What we do today is going

the test. But. because of the unexpected and sudden termination of the Japanese war, we find ourselves in the midst of the Japanese war, we find ourselves in the midst of make him invulnerable. Wherever the waters touched his skin, he was rendered immune to injury by any weapon. However, in bathing him, his mother held him by one heel and dunked him like a doughnut. Consequently, one tiny area of heel was left unbathed, and it remained as vulnerable as the skin of ordinary mortals. the most chaotic and cru-cial reconversion problem that ever con-fronted the people of this or any other mortals.
Achilles grew to manhood to

become a mighty warrior. But he was finally slain by Paris, whose arrow was guided by Apollo to the vulnerable heel.

Industry Has an Achilles Heel

Industry today is strong as was Achilles, and I believe that most of the problems which worry us today will be taken in stride. There is no question but what we are starting off on a sales honeymoon. It will be delightful. My concern is with what happens after the honeymoon is over. From a long range standpoint, we can (Continued on page 1842)

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Long Term Forces Affecting Stocks

By NATHANIEL STONE CHADWICK

Vice-President, National Securities & Research Corporation

Writer Contends Large Money Supply, and the Consequent Fear of "Shrinkage in Purchasing Power of the Dollar," Together With the Short Supply of Stocks Arising From Unwillingness of Holders to Sell Because of the 25% Capital Gains Tax, Is Tending Toward High Price Level for Stocks.

During the last year several reasons have been advanced for the bull market, such as inflation, huge savings in the hands of the public, and the lower

purchasing power of the dollar. Rea-sons for a bear market in-clude the termination the war, labor difficulties, reconversion delays largely resulting from OPA pricing policies, and the threat of a further increase in margins.
There are

two outstand-ing funda-mental forces affecting the stock market that far outweigh such subordinate uncertainties and lesser supplemental factors as are mentioned above, and to such a degree that they appear to indicate an upward trend in equity prices for several years to come, although intermediate reactions may be expected to occur from time to time. These forces are not abstract, hypothetical or conjectural, but are real and are active now, for they are the forces of great demand and limited supply.

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Before World War II, under the New Deal school of economics, our national debt expanded and our national debt expanded and credit likewise increased tremendously, with interest rates declining steadily. The advent of the war occasioned such an acceleration in the national debt and in credit expansion that at the end of 1945 it is estimated that the debt will be about \$275 billions, or more than 15 times what it was (Continued on page 1851) MARKETS IN CANADIAN SECURITIES

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Banks Have a Selling Job

By FREDERICK S. BLACKALL, JR. President, New England Council President, The Taft-Peirce Manufacturing Co.

New England Industrial Leader Urges Banks to Give More Publicity to Their Methods and Services and Engage in a "Selling Campaign." Says in the Highly Competitive World It Is Important to "Tune in With the Public Pulse" and That Banks "Must Be Alive to What the Public Wants and Try to Provide It." Says Banks Needs a Sales Department and Advocates That They Serve Fully Their Communities, Including Small Business, if They Desire to Keep Government Out of the Banking Business. Decries Banks Relying on Government Participation in Making Business Loans

The New England Bank Management Conference is one of the most conspicuously successful examples of focusing the New England

Town Meeting principle on business problems, and the New England Council is justly proud of its part in having spon-sored the idea initially. We express our gratitude to your able Chairman, Bill Augus-tine, for his organizing ability and unflagging



energy, which have been primary factors in establishing the high place which this conference holds among the business forums of New England.

It is especially pleasant for me, as a banker by avocation, to re-

*An address by Mr. Blackall be-fore the New England Bank Man-agement Conference, Hotel Stat-ler, Boston, Oct. 11, 1945.

new old friendships here and to establish new ones. The old chestnut about the banker whose glass eye could be identified because it nut about the banker whose glass eye could be identified because it had a little more warmth in it than his natural one, is something quite foreign to my experience. Serving, as I do, on the boards of three of our leading Rhode Island banks, I have found my associates in the banking fraternity full of the milk of human kindness, generous, sincerely concerned with the problems of their fellow men, and characterized by a desire to help them to the limit of their ability. I think you will agree, however, that the association of the icy stare and the heart of stone with bankers in general is part of the folklore of the land. Since the picture is an erroneous part of the folklore of the land. Since the picture is an erroneous one, it is our problem as bankers to do everything within our power, consistent with sound banking, to erase the false impression.

By profession I am an engineer, but I suspect that at heart I am a salesman, and in the long run I believe that businesses wax and (Continued on page 1860)

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Public Utility Securities

Utility Taxes and Earnings

The utility companies have borne an abnormally heavy share of the wartime tax burden. Total taxes last year for Class A and B electric utilities were \$678,818,000 as compared with \$516,759,000 paid to employees (electric operations) and \$273,326,000 disbursed in dividends to common stockholders. Total Federal taxes amounted to \$443,600,000 or nearly twice the amount of state and local imposts in the previous region of Federal (**)

taxes totale 150 million.

150 million.

Utility earnings in 1943 averaged only about 5½% on net plant investment plus working capital, and a great deal of "water" had been squeezed out of plant account in the preceding decade. Obviously the utility companies have not been profiteering during the war—net earnings during 1942-4 averaged well below those of 1939-41. But unfortunately utilities in prewar years wrote down their properties as fast as the Treasury Department would permit (in their tax returns) so as to reduce taxable income. This has resulted in abnormally high has resulted in abnormally high taxes during the war, since the amount of earnings and capital exempt from excess profits taxes is now considerably lower on the Treasury books than in the accounts as reported to stockholders. Companies with low rates and conservative capital structures between the capital structures between t

hit in some cases. After paying out \$210,000,000 in excess profits taxes last year, the utilities earned only as much as in 1937, and only slightly more than in the depression year 1932, despite the fact that gross reve-nues had increased 74% compared with the letter trees.

tures have been especially hard

with the latter year.

It had been confidently expected that Congress would do away with excess profits taxes in the pending tax bill to become effective Jan. 1. Instead, the House Ways and Means Committee has proposed to reduce the EPT rate from 95 (or 85 ½% net after deducting the 10% post-war credit) to 60%, while the regular tax rate to 60%, while the regular tax rate would be reduced from 40 to 36% (by reduction in the surtax rate).

The new bill, the first tax-cutting measure in 16 years, was passed by the House Oct. 11th and sent to the Senate. However, Senator George, Chairman of the Senator George G ate Finance Committee, favors complete repeal of EPT, and since his opinion carries great weight it is quite possible that the Senate version may win out in eventual action by a conference committee of the two Houses.

With complete exemption of ex-

\$443,600,000 or nearly twice the annual the prewar period Federal the prewar period Federal duced by over 53%, or \$112,000,-000 based on 1944 figures. However, if the House bill should preever, it the House bill should prevail the saving in excess profits taxes (30%) would amount to only about \$63,000,000. It is difficult to estimate the exact saving in income taxes resulting from the proposed cut in the surtax, due to the present exemption of preferred dividends from the surtax, but this might be in the neighborhood of \$15,000,000 to \$20,000,000. Thus the total saving might work out around \$30,000,000, or some \$22,000,000 less than if EPT were scrapped and the income tax rate scrapped and the income tax rate

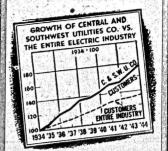
scrapped and the income tax rate left unchanged.

However, it should not be assumed that utility earnings will increase by the above estimated amounts in 1946. In the month of July net income of all Class A and B electric utilities was down 2.8% from last year (for the 12 months ended July 31 decline was only 0.6%). According to preliminary estimates for August, net income for that month was down about 10% from last year. The Commonwealth & Southern system, probably affected as much as any important system by military cutprobably affected as much as any important system by military cutbacks, reported a slight gain in gross revenues for August but the balance after charges was down about 2% as compared with a gain of nearly 9% in the first eight months. In addition to a decrease in earnings resulting from industrial reconversion and labor disturbances State commissions may turbances, State commissions may be more active in ordering rate cuts than they have been during the wartime period. The utilities may be lucky, therefore, to sal-vage even half the anticipated tax vage even half the anticipated tax savings, as a net gain in the balance for common stock dividends. An increase of even \$40,000,000 to \$50,000,000 in dividends paid to common stockholders, or about 15-20%, would just about restore payments to the 1939-40 level.

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One Unused Tool of Management

By JOHN M. HANCOCK*
Partner, Lehman Brothers, New York
Co-Author of Baruch Report on Reconversion

Asserting That the Great Tool of Management Is the Ability to Influence People to Cooperate, Mr. Hancock Points Out That Managers Should Strive to Give Consumers What They Want at Prices They Can Pay. Calls for Cooperation of Labor and Management Without Coercion and Without Government. Cautions Both Management and Labor Not to Lean on Government if Free Enterprise Is to Be Maintained and Advocates a Courageous Move by Corporate Management to Improve Public Relations.

About 35 years ago I underscored a sentence in my copy of a Gantt book. That sentence was: "A system of management is a means of causing

is a wealth of philosophy in those few words, and let me pick out a few points for further em-phasis. You note he called it a "means it a "means for causing men to co-operate." He

operate." He didn't say a didn't say a given pelling men to produce." He thought of the America he knew when we didn't dream of a regimented economy or a Socialized State. He knew then what this war has proven to us—that no plan of coercion by the State will result in as much production as when free men work together for a common end. He knew that good working conditions for free men, with help conditions for free men, with help given to show them how to do their jobs in the easiest possible way, and with a fair reward based on production efficiency were the steps by which to attain a higher standard of living for not only the producers but the consumers as well. He wanted ways found for men to produce more with less effort and he proposed to give

*An address by Mr. Hancock at the American Management Asso-ciation Conference, Waldorf-As-toria Hotel, New York City, Oct. 10, 1945.

or causing them their fair share of the gains secured.

He knew there was almost no limit to what the people would want in the He knew there was almost no limit to what the people would want in the way of goods and services, but he recognized there was a limit to their ability to buy unless costs could be cut, so he proceeded to cut costs effectively, thus widening the market, guaranteeing larger volume and pro-gressively lower costs, good prof-its to the producer who had both the inducement and the means to add further to plant capacity. He believed in mass production and its attendant benefits to the entire population.

That had been the process in America since Civil War days, lower prices for manufactured goods, more mechanization, easier jobs, shorter hours and higher jobs, shorter hours and higher pay, with the highest standard of living attained any place on the globe at any time in history.

Gantt, too, had a spiritual side to him, for he wrote: "Neither labor unions that regard their interests as essentially antagonistic to that of employers, nor employers' associations whose only effort is to employer associations whose only effort. is to oppose force with force, can ever effect a permanent solution of the problem of the proper relaof the problem of the proper relations between employers and employees." He knew that neither side could coerce the other to its ultimate gain, for someone else was bound to find a way through cooperation to avoid the costs of that kind of war. That man who had the best means of causing or inducing men to cooperate could always capture the market. With wide open opportunity the efficient producers had no great trouble in forging ahead, for the trouble in forging ahead, for the (Continued on page 1841)

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Walter Malatesta Is With Ames, Emerich

CHICAGO, ILL.—Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Chicago Stock Exchange, announce that Walter J. Malatesta has become associated with them. Mr. Malatesta was formerly assistant director of the Chicago Sub Region of the War Production Board, with which agency he served three and one half years.

SPECIALISTS

Real Estate Securities

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Real Estate Securities

There has been a lot of comment recently about the price rise in real estate securities. In the humble opinion of the writer, there is nothing so remarkable about this action. Considering earnings and the intrinsic value of the properties securing some real estate securities, there is no reason why the bonds should not sell at par and where the bonds also carry stock, the price should be in excess

and where the bonds also carry stock, the price should be in excess of par.

Competition from new buildings should be nil because of the inability to finance new construction, plus the fact that the cost of new construction will mean much higher rents in the newer buildings compared to existing structures.

We do not agree at all with the pessimists on downtown (financial district) real estate. They argue that when the Government vacates the space they occupy, difficulty will ensue in reletting the space. The writer feels that this is a wrong attitude and that such space will quickly be absorbed at much higher rents than the Government is paying.

The price appreciation than other comparable bonds in different sections of the city.

Speaking of leverage possibilities, the New York Majestic bonds, selling at about 26, may be worth looking into. If the OPA grants any relief from frozen rents, this property should be helped materially. Unfortunately, they were frozen at very low rent levels.

We would not be surprised to see several special sinking fund operations of real estate issues before the end of the year to take advantage of special tax benefits which expire this year.

Regular sinking fund operations will take place shortly in 61 Broadway and Hotel St. George

at much higher rents than the Government is paying.

Financial district real estate bonds, because of the large discount at which they are offered, seem to offer more leverage for seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at which they are offered, seem to offer more leverage for the large discount at the large discount at which they are offered, seem to offer more leverage for the large discount at the large di will take place shortly in 31 Broadway and Hotel St. George bonds. 61 Broadway will have \$35,000 for this purpose and the

A Program of Tax Revision

Laurence Arnold Tanzer, Chairman of Taxation Committee, of the Commerce and Industry Association of New York, Recommends (1) a Flat Reduction of 15% in the Corporation Income Tax Rate; (2) Repeal of the Excess Profits Tax; (3) Exemption of Dividends From the Normal Individual Income Tax; (4) Repeal of the Capital Gains Tax and (5) Elimination of "Declared Value" and Capital Stock Taxes. Favors a Flat Reduction of 20% on Individual Income Taxes, With an Eventual Reduction to a Rate in the Highest Bracket Not to Exceed 50%. Would Retain Present Individual Exemptions and "Withholding" Collection Method.

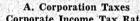
The Commerce and Industry Association of New York on Oct. released the following report of its Committee on Taxation and

Public Revenue, of which Laurence Ar-nold Tanzer, of Tanzer and Mullaney, New York is Chairman:

With the sudden ending of the war on both fronts the task of reising our Federaltax structure and rates becomes one of prime importance in order that re-conversion of

industry to peacetime production may pro-ceed without untoward delay. The objective in the tax program which we recommend is the greater employment of men and

money in the peace years. In November, 1944, the recommendations of the Committee on Taxation and Public Revenue with regard to a Federal Post-War Tax Program were adopted by your Board. In the light of the cessation of hostilities and the need for immediate corporate and the cessation of hostilities and the need for immediate corporate and individual tax relief as an aid to greater employment and purchasing power, your Committee has reexamined the Association's tax policy and recommends a tax program to take effect on Jan. 1, 1946, as well as a longer-range Federal tax program.



1. Corporate Income Tax Rates
In order to expedite the adoption of a lower income tax rate tion of a lower income tax rate for corporations and have it apply in the year 1946, your Committee recommends that at the present time no revisions be made in the corporate tax rate schedule. It recommends, instead, that for the year 1946, a flat reduction of 15% be made after computing the tax under the present law. The long-range program should provide a maximum rate of 30% or less for the year 1947 and 25% or less for 1948.

Your Committee recommends

Your Committee recommends that the Association continue its opposition to graduated income tax rates on corporations, and that corporations be subject only to corporations be subject only to a flat rate corporate income tax.

2. Excess Profits Tax

2. Excess Profits Tax

The excess profits tax, which was adopted as a wartime measure, should be repealed as of Dec. 31, 1945.

The Tax Adjustment Act of 1945, adopted by Congress in July, 1945, authorized an increase in the excess profits tax exemption from \$10,000 to \$25,000, effective beginning with the tax year 1946. At the time the bill was being considered this Association urged that the increased exemption be that the increased exemption be applicable for the year beginning Jan. 1, 1945. Assuming that the excess profits tax will be repealed be reta as of Dec. 31, 1945, this increased of the tax exemption should be made re-

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Bank and other highest references given and required.

Address: Box SL 1018 The Commercial and Financial Chronicle 25 Park Place, New York 8, N. Y.

Loan to Netherlands

Export-Import Bank Announces \$50 Million Credit for Purchases in U.S.

WASHINGTON, OCT. 17.—The Export-Import Bank has announced the signing of a loan agreement with the Kingdom of the Netherlands, providing for a line of credit of \$50,000,000 "to finance the acquisition in the United States of specified United States agricultural and manufactured products for use in the metropolitan territory of the Kingdom of the Netherlands."

This announcement is in constitution of the information given the "Chronicle's" representative by the Netherlands Finance Minister last month and published in the "Chronicle" at the time. It will be recalled that the Dutch Finance Minister Lieftinck at the time pointed out that the Netherlands East Indies also were seeking a \$10,000,000 credit.

The Export-Import Bank announcement with the Kingdom of the Netherlands and partity through American private trade channels during this period and, of course, entirely through private channels thereafter.

"The credit is to be available until June 30, 1946. Advances under the credit are repayable in sixty approximately equal seminanual installments, the first of which becomes due on July 1, 1946. The Kingdom of the Nether-

nouncement adds:

"The specified products and services consist of those for which requisitions had been filed and approved before V-J Day by the kingdom of the Netherlands with the Government of the United States under the provisions of the so-called 3 (C) Lend-Lease Agreement between the two countries, but which had not been contracted for prior to V-J Day. Purchases financed by advances under the credit may be made through the United States Government procurement channels during a period of 60 days from V-J Day, However, representatives of the Netherlands Government indicated that such purchases will be

troactive to Jan. 1, 1945, so that the smaller companies might avail themselves of the advantage of this exemption which the Tax Adjustment Act of 1945 originally set out to grant.

The unused excess profits tax credit provision was included in credit provision was included in the law to protect the taxpayer against great variations in year to year earnings. In order to maintain this protection it is recommended that the provision permitting unused excess profits credits to be carried back for two years be retained even after the repeal of the excess profits tax, and that (Continued on page 1861)

"The credit is to be available until June 30, 1946. Advances under the credit are repayable in sixty approximately equal semi-annual installments, the first of which becomes due on July 1, 1946. The Kingdom of the Netherlands will have the right to prepay on any interest date all or any part of the principal of any note issued pursuant to the loan agreement, any such prepayment to be applied to the installments of principal in the inverse order of their maturity.

"Advances under the credit will bear interest at the rate of 2%% per annum on the unpaid principal balance outstanding from time to time. Interest is payable on Jan. 1 and July 1 of each year.

"The provisions of the loan agreement relating to the rate of agreement relating to the rate of interest and maturities are identical with those of the Lend-Lease Agreement between the United States and the Netherlands which became inoperative as of V-J Day. This is so, because the credit is to be used specifically for the acquisition of United States products and services which had already been requisitioned under the Lend-Lease Agreement and the Lend-Lease Agreement and approved prior to V-J Day.

"The Export-Import Bank stands ready to sell to commercial banks or others on appropriate terms the notes which it will receive from the Netherlands pursuant to the agreement. To further this pursues the agreement ther this purpose, the agreement provides that such notes may be divided or consolidated as may be required.

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Babson Discusses More Industries good years ahead. They surely deserve a "break."

He Comments on Atomic Energy

BABSON PARK, MASS.—Continuing my comments of last Mining



above ground Hence. not attempt to ake any pre dictions as to what is below ground. Post-war prices will less for most mining products, but they are ex-cellent infla-

tion hedges. Some also may profit from atomic energy developments.

Merchandizing

I will not forecast how the large department stores, which are nailed down to one corner, will fare during coming post-war years; but I am very bullish on the chain stores. These include the grocery chains and variety chains, —especially the so-called "five-cent-to-a-dollar" stores.

Motion Pictures

Motion Pictures

It is difficult enough to comment on factories, raw materials and of the industry is faced with government suits and the competition of television. I would rather instance above ground.

Office Equipment

Notwithstanding the large amount of secondhand office equipment which the government equipment which the government may press for sale, I am optimistic on the industry and believe the stocks are reasonably priced. This comment also applies to the furniture industry.

I am not worried about any post-war oil shortage or strikes. The industry has no reconversion problems. It will profit by diversification through chemicals, plastics, synthetics, etc. Hence, I am still reasonably bullish on the oil stocks for the present. The long-pull outlook depends partly on atomic energy developments. on atomic energy developments

Publishing

This industry which has been so handicapped during the war—through lack of workers, paper and freedom to print "all the news"—will soon be able to step out again. I believe that news-This industry has prospered out again. I believe that newstremendously with the war. For papers, magazines and printing in

Paper Products

Large imports of pulp may be expected from Norway, Finland, and possibly Russia. This is not a good omen for domestic pulp manufacturers; but should be a blessing to the manufacturers and convertors of paper products. I am, therefore, bullish on the stocks of the latter paper manufacturing group. facturing group.

Railroads

I have been bearish on the railroad industry since last June and as yet see no reason for changing my position on these transportation companies. I am not bearish on the railroad equipment industry.

Rubber

their present level or do better during the postwar period. Their markets should expand and their operating costs should decrease.

RHODES-HAVERTY BLDG.

Steel

After the complete reconversion of the nation's economy and a reduced tax burden the steel companies should show better profits. Everyone is justified in having a steel stocks in his portfolio.

Tobacco

Not being a smoker myself, I am in no position to forecast as to the future of the tobacco industry. Most of my friends, however, are bullish on this industry

The textile industry should have at least one exceptionally good postwar year, but after this both demands and profits should flatten out. It is a "feast or famine" industry.

Titilities

The utilities are once again get-The rubber stocks should hold ting fair treatment. Any cut in taxes will help most utilities Every investor may continue to hold a reasonable proportion of operating utility securities; but all

ATLANTA 1, GEORGIA Long Distance 108

should watch atomic energy developments.

I am bullish on the market as a whole. Perhaps the safest method would be to diversify among all these leading industries—instead of picking winners. By all means do not put too much of your money in any one industry unless it is merchandising, which profits from all industries and hence is a form of diversification in itself.

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NOTE—From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 104 of aseries.

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By MARK MERIT

This recorder has just spent a fascinating hour with our Dr. Charles E. Dutchess, Medical Di-rector of Schenley Laboratories, Inc., producers of Penicillin-Schenley.

We asked the doctor, "What was really remarkable about the development of Penicillin"? Here is his ready response: "Not alone the fact that an alert scientist observed something unusual on a contaminated plate and realized its significance; nor that he proceeded to prove the significance and possi-bilities of his discovery, for the history of science is full of stories just like that. In this case the discoverer had neither the time nor the facilities to proceed with the development of the seemingly wonderful new substance, whose exist-ence he had discovered. And some years later when colleagues under-took to develop this material, they too soon came to the end of their resources and had to have help. They sought it and obtained it from the Rockefeller Foundation.

"But something more was needed the cooperation of many individual scientists and more than a single institution—of a United States Government bureau, and even international cooperation.

"Early specimens of Penicillin were flown across the Atlantic in bombers to expedite the development. The world was aflame and money alone did not count. A method for the quantity production of this precious product had to be worked out. So behind this development went the resources of the United States Government . . . quickly followed by the resources of enterprising American business firms, who were willing to expend huge sums and thousands of hours of manpower towards one end . . . the saving of lives.

"The remarkable thing, then, was the tremendous cooperative effort which was contributed when it was urgently required. It had to be done, and everybody cooperated and got it done!"

Yes, Penicillin might have been developed surely, but much more slowly, under normal conditions. Under the stress of the existing emergency, however, research and development were accelerated and the world got Penicillin when it needed it most. Men are alive to-day, thousands of them, because of this wonder working agent—PENICILLIN.

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Desirability of Railroad Securities for Investment—reprint of article by Arthur C. Knies, partner in Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a memorandum Chical Park Mark 19 Beain & Co., 41 Broad Street, New York 4,

on Chicago, Rock Island & Pacific

Dow Theory Barometer — A weekly service predicting future trends in the stock market—Four weeks' trial, \$1—Gaylord Wood, Inland Building, Indianapolis Ind.

Graphic Stocks—Comprehensive book of stock charts showing 900 up-to-date graphs covering vir-tually every active stock listed on the New York Stock and Curb Exchanges, with monthly highs and lows for 10 years, and earnings and dividends from 1936— Edited and published bi-monthly
—Single copy (150 pages), \$10;
annual service (six revised issues), \$50—F. W. Stephens, 15
William Street, New York 5, New York

More Bank Stock Extras Seem Imminent—New bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Also a new bulletin on Third Quarter Statistical Comparison of 19 New York City Bank Stocks.

News & Views—current developments in certain insurance stocks—Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles 14, Calif.

Paint Industry -- comparative figures on several companies of-Brand, Grumet & Ross, 120 Broadway, New York 5, N. Y.

Amalgamated Sugar Company discussion of outlook—Walston, Hoffman & Goodwin, 265 Mont-gomery Street, San Francisco 4, Calif.

Also available are memoranda on Ferry Cap & Set Screw Com-pany and Gleaner Harvester Cor-

American Forging and Socket Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2,

American Hardware Corpora -special

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Also a detailed circular on Foundation Co.; Fashion Park,

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Baker-Raulong Companyalysis of condition and post-war prospects—F. H. Koller & Co. Inc., 111 Broadway, New York 6.

Also available are analyses of Liquidometer Corp., Delaware Rayon and New Bedford Rayon.

Bank of America - analytical summary—Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y. Also available is a memorandum

on the situation in New York City Bank Stocks.

Dank of America N. T. & S. A. —dividend history of the bank and its predecessors—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif. Bank of America N. T. & S. A.

Blair & Co.-descriptive memorandum on interesting low-priced speculation in financial underwriting—Du Pont, Homsey Co., Shawmut Bank Building, Boston

Chanin Building Corp.—Circular—Walter Murphy, Jr. & Co., 49 Wall Street, New York 5, N. Y.
Also available is a report on Savoy Plaza, Inc.

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

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of the company which operates restaurants, serving the public at key transportation centers—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

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Liberty Aircraft Products Corporation and Autocar Company descriptive pamphlet — Model, Roland & Stone, 76 Beaver Street, New York 5, N. Y.

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Locomotive Firebox Co.—Circular discussing attractive postwar possibilities—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

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

Magnavox Company—Report— Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

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

National Terminals Corporation—circular—Adams & Co., 231
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Also available is a memorandum on Howell Electric Motors and American Service Co.

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Also available are statistical memoranda on Liberty Loan Corporation; Maryland Casualty Co., and Serrick Corporation.

Public National Bank & Trust Public National Bank & Trust Company—Analysis—for dealers only—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y. Also notes on the Sept. 30, 1945,

statement.

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,

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Southern Pacific System—Orig-inal analysis—A. W. Benkert & Co., Inc., 70 Pine Street, New York

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Harry Taylor With Ranson-Davidson Co.

(Special to THE FINANCIAL CHRONICLE) CHICAGO, ILL. - Harry A. Taylor, formerly trading manager of the local office of the Crummer Co., has become associated with Midland Utilities and Midland Co., has become associated wing Realization Company—A study of the Ranson-Davidson Co., Inc.

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Canada Acting Against Stock Selling Fraud

New Law for Extradition Before Parliament Will Importantly Affect Mining Stock Sales to U. S. Citizens. Defines Fraud Occasioning Extra-Opposition by Ontario Business Interests, Who Are Continuing to Sell Unregistered Securities.

TORONTO, Oct. 17.—A protocol to the Canada-United States Extradition Treaty was tabled in the House of Commons yesterday by the Acting Secretary of State for Foreign Affairs, Hon. Louis St.

The protocol deals with three clauses of the treaty of 1942 providing for extradition for the fraudulent use of the mails, the violation of laws for the prevention of

fraud in the sale of securities and dealing with laws regulating pub-lic security markets, the registra-tion or licensing of securities and investment or public utility companies. The occasion for extradition is defined as dealing with (a) fraud as defined by the laws of both accurations.

fraud as defined by the laws of both countries; or

(b) Willing and knowing violation of the laws of the requesting country (the United States).

In explanation of the protocol Hon. Mr. St. Laurent said that it was designed to meet objections voiced widely in Canada by business, industrial, financial and other bodies when the treaty itself was ness, industrial, financial and other bodies when the treaty itself was signed in April, 1942. A special clause provides that it will not be retroactive in effect for offenses which are added to the causes hitherto existing for extradition. It also purports to protect unwitting violators of the securities laws and regulations of 48 states and of the U. S. Securities and Exchange Commission by providing that this course shall only apply to offenders who commit the offenses "willfully and knowing-ly."

However, much of the old op-position was to "offenses" being included at all in the extradition treaty and that remains strong With the expectation that the pro-tocol would make the modifica-tions which it actually has made, tions which it actually has made, representatives of the Canadian Chamber of Commerce, various boards of trade, the Canadian Manufacturers Association, of Stock Exchanges, Securities Associations and Mining Associations met recently in Toronto to discuss the matter. The view was expressed by lawyers called in to report as to the probable effect that to accept such a treaty would be to accept a distinct loss of be to accept a distinct loss of sovereignty for Canada and that it would leave the way open to infringement of fundamental lib-

erties.

When asked what "wilful and knowing" violation of a regulation would be, lawyers said that the mere issuing of "cease and desist" orders would be considered sufficient notice. Another thought that the notice would consist of sending copies of regulations under registered mail to alleged offenders, whose acknowledgments der registered mail to alleged offenders, whose acknowledgments
of receipt to the postal authorities
would be used as evidence that
they knew the regulations even if
they never read them. The protocol provides that publishers of
Canadian newspapers carrying advertisments of securities not registered in the United States could
not be extradited and that such an
advertisement would not be considered an "offense" because some
copies crossed the border if the
circulation in the United States
was considered incidental.

The main objection stated in Toronto is that an extra-territorial body would have the means to extradite Canadian residents for offenses and crimes which are not offenses and crimes in Canada. offenses and crimes which are not offenses and crimes in Canada. Extradition is regarded as bad in principle when applied to anything but crimes which are so recognized in both countries. The Attorney-General of Ontario, Hon. Leslie E. Blackwell, has evidence against Ontario residents who appear to be observing all Provincial laws. He has asked that the evidence on which the orders are based be sent to him in order that he might judge whether those named are unfit people to be allowed to sell securities. He says no such evidence has yet been forthcoming of activities which would be considered illegal in Ontario.

The inclusion of offenses in the extradition treaty is regarded by those opposing it as another way of accomplishing the same purpose, that is, of taking Canadians to United States courts without first proving their guilt here. The controversy has had the effect of causing bond and stock issues advertised to carry the inscription that they are not to be considered as being offered to residents of the United States. Various secuity houses report that they are returning checks from Americans to be on the safe side.

Others are still continuing to sell stocks which are not regis-The inclusion of offenses in the

Others are still continuing to sell stocks which are not registered, declaring that extradition on the grounds asked for would reduce the security business between Canada and the United States to a trickle. It has been over the decades a very large business but those selling speculative issues of mining stocks speculative issues of mining stocks speculative issues of mining stocks claim that the expense of meeting registration, licensing and other requirements in Washington and the States where it would be desirable to sell, are prohibitive. They claim that those restrictions are not desirable and that selling from Canada is legal.

The business opposition to the

The business opposition to the treaty makes it plain that they fear most the question of infringement of sovereignty and the wide applications that the treaty might have if it embodied the right to applications that the treaty might have if it embodied the right to extradite for offenses against reg-ulations most of which must be unknown to potential offenders and some of which may not yet be passed.

The Legislative Status

To "table" a report or document or protocol is to lay it on the table of the House of Commons. It is then officially a part of the information available for the House and can be either debated, acted on or ignored in subsequent pro-ceedings. The treaty and the pro-

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tocol will stand on the same footing when both are placed on the table. Some authorities think the government can ratify the treaty and protocol without Parliamentary sanction but as a matter of custom Parliamentary approval will in all probability be sought. It could be sought by introducing a bill but that would be subject to debate clause by clause.

Press correspondents at Ottawa.

Press correspondents at Ottawa suggest that the approval of Parliament may be sought by introducing a resolution. A resolution might be very short, simply asking that Parliament approve the treaty and protocol. Simple approval or rejection of the whole treaty would be involved. In such a case some member could move that the resolution and the treaty and protocol lution and the treaty and protocol be referred to a committee of the House of Commons or Senate to consider the matter and to hear the views of various associations and groups of citizens. That would be asked on the ground that there has been much expressed objection to certain clauses of the treaty and to the inclusion of offenses. In legal status the protocol is considered here as having the same force as the treaty and as being part of it. being part of it.

Ottawa reports that securities ottawa reports that securities commissions of other Provinces do not object to the new treaty. The whole matter will be debated in Parliament when the bill asking approval to the new extradition treaty and its protocol comes down down.

The Ontario government's posi-The Ontario government's position is probably best described as "on the fence." Ontario cannot be said to be "officially" opposed to the treaty. Hon. Leslie E. Blackwell, Attorney-General of Ontario, stated to your correspondent today: "The present Ontario government has never been consulted with regard to the negotiation of the treaty or what its terms might be and so far has no official notice of its terms. For that reason the government has refrained from expressing any opinion, pro or expressing any opinion, pro or con. No matter what has been published as to what it contains I think I should not speak of it officially except as a result of ex- is with C. L. Schmidt & C amination of the exact document." 120 South La Salle Street.

Lieut. Colonel Archibald Roosevelt, son of the late President Theodore Roosevelt, who received a medical discharge from the United States

Army on Sept.
4th, is now
making his
headquarters
with Roosewith Roose-velt & Son, 30 Pine Street, New York City.

Colonel Roosevelt served with the 41st Divi-sion, 162nd Infantry, and took part in the campaign

at Salamaua,
Hollandia
and Biack Island. He was
wounded on Biack in July, 1944,
and sent back to the United States,
where he trained troops at Camp where he trained troops at Camp Gordon, Georgia. In World War I, he served as a Captain with the 1st Division, 26th Infantry, and also was wounded in action.

Colonel Roosevelt has been awarded the Croix de Guerre with Silver Star, the Silver Star with Oak Leaf Cluster, the Purple Heart with Oak Leaf Cluster and the Knights of Danelos (Montenegro).

Chicago Personnels

CHICAGO, ILL. - William L. Folds has joined the staff of John A. Dawson, One North La Salle Street. Mr. Folds has recently been serving in the U.S. Army Air Corps. In the past he was with Paine, Webber & Co., and Haskell, Scott & Jennings, Inc.

CHICAGO, ILL.—Eustach Bregy is with C. L. Schmidt & Co., Inc.

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Michigan Brevities

R. J. Goldie, and Austin Lynch have been re-elected directors of the Timken Detroit Axle Company for three-year terms. At the annual meeting of directors, following the stockholders meeting. Paul V. Osborn was elected Vice-President in charge of manufacturing, and L. W. Fischer and N. R. Brownyer were also elected Vice-Presidents of the company.

Osborn joined Timken in 1941 as Assistant to the Vice-President.
Previously he was with the Carrier Corporation.

Fischer has been connected with the engineering depart-ment since he joined Timken in In his new post he will continue in an executive sales continue in an executive sales and engineering capacity. Brownyer joined Timken in 1926 as a sales engineer. Previously he was Chief Engineer of Gotfredson Truck Corporation and before that was associated with the Paice Motor Capacity of the Capacity of ated with the Paige Motor Car Company.

T. Allan Smith, President of the Detroit Clearing House Association, announced resumption of the tion, announced resumption of the former peacetime schedule of banking hours of 10 a.m. to 3 p.m. daily, Mondays through Fridays, and 9 a.m. to 12 noon on Saturdays, after Oct. 12, by the following banks in the Greater Detroit area. troit area.

Commonwealth Bank, The Detroit Bank, Industrial National Bank, Manufacturers National Bank of Detroit, National Bank of Detroit and the Wabeek State Bank.

The wartime emergency schedule of extended hours on Fri-days was discontinued, Smith stated, because an analysis of business transacted during those hours reveals that the need for

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Moreland & Co. Member Detroit Stock Excha

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City

Muskegon

additional banking hours no longer exists.

Woodall Industries revealed the purchase of Board Fabricators Inc. of Long Island, fabricators of

The company also declared a 33\%% stock dividend, payable Oct. 31 to stockholders of record

Personnel Notes — Edward S. Evans, Jr. has been elected Presi-dent of Evans Products to succeed his father, the late Edward S. Evans. . . . Ottmar A. Waldow, Controller of the National Bank of Detroit, has been elected to the board of directors of the Controllers Institute of America. . . . Frank Noble has been promoted to the post of sales promotion manager of Eureka Vacuum Cleaner Company....

Harry Bennett, former Vice-President of Ford Motor Company, has announced the formation of B. G. F. Company, manufacturers' representatives. With him in the organization will be Byron Geller, former Assistant Attorney General of Michigan and Stanley Fay, Bennett's former assistant at Ford.

President Glenn D. Curtis of the Trenton Valley Distiller has revealed that the company has contracted with Schenley Distillers to take the entire output of alcohol through March 31, 1947.

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F. R. V. Lynch Joins Van Alstyne, Noel Co.

Lieut. Commander Frank R. V Lynch, on terminal leave from the United States Naval Aviation Reserve, is joining the New York Stock Ex-Stock

Stock Ex-change firm of Van Al-styne, Noel & Co., 52 Wall Street, New York City.

Commander Lynch was on the staff of Commander Air Force, At-lantic Fleet, later becom-ing Senior Air-Controller. Northwest Sector, West-ern Sea Frontier, with headquarters



Frank R. V. Lynch

in Seattle. At the time of his release he was attached to the office of Secretary of the Navy.

During World War I he was a nember of the first Yale Unit. He flew overseas on anti-sub opera-tions, was a member of the North-ern Bombing Group in France, and was awarded the Navy Cross.

Commander Lynch formerly was a part owner and Executive Vice-President of Munising Paper Company, assistant publisher and business manager of "Nation's Business," and a director of Gen-eral Bronze Company.

Bond Club of Detroit Launches '45-6 Season

DETROIT, MICH.—The Bond Club of Detroit opened the 1945-46 season with a luncheon at the Hotel Statler.

Gerald Miller, of Miller, Ken-ower and Company, was speaker. Mr. Miller has been in Government service as a civilian for the past 3½ years in London as executive official of the operations branch of the Office of Strategic Services. In his talk he described how, as chief of the branch, his staff supplied and also controlled the activities of the French underground.

C. Lee Jones Rejoins Staff Of Baker. Simonds & Co.

DETROIT, MICH. — C. Lee Jones, former Captain in the U.S. A. A. F., has rejoined the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange, it is announced by Ralph Simonds, President of the firm.

Mr. Jones, who also has two sons in the Air Corps, was at the Lodwick School of Aeronautics in Lakeland, Florida, as commanding officer of the air depot detachment and later was assigned to contract termination work.

Woods With D. F. Rice

CHICAGO, ILL.-Louis Woods, Jr. has become associated with Daniel F. Rice and Co., Board of Trade Building.

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Primary Markets-Statistical Information

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Connecticut Brevities

On Oct. 2, a new issue of \$15,000,000 Connecticut Light & Power Company, First and Refunding 3% Mortgage Bonds, Series K, due Oct. 1, 1980 were offered to the public by an investment banking group headed by Putnam & Co. of Hartford and Chas. W. Scranton & Co. of New Haven. The bonds were priced at 106¾ and accrued interest to yield 2.70%.

Proceeds from this sale will be

applied to the redemption on Dec. 1, 1945 at 107 and interest of \$15,-000,000 first and refunding mortgage 3¼% series H bonds due Dec. 1, 1968.

Upon completion of this refinancing, the company will have outstanding \$10,000,000 3% bonds series I due 1974, \$16,000,000 3% bonds series J due 1978, the present \$15,000,000 new issue, and \$134,000 Northern Connecticut Light & Power first mortgage 5s due in 1946 Light & ... due in 1946.

The Southern New England Telephone Company established three new records in the month of August: the largest volume of toll and long-distance calls, the greatest number of telephones in service, and the highest amount of total telephone revenue in any

Total telephone revenue for the month was \$2,824,898, while net profit was \$249,953 compared with \$225,439 in August of 1944.

The total of net income for the eight months ended August 31 was \$1,693,338 compared with \$1,620,573 for the corresponding period of last year. Earnings per share for these periods were \$4.23 and \$4,05 respectively.

For the 32 weeks ended Aug 12, 1945, Veedor-Root, Inc. showed earnings of \$1.73 a share against \$2.19 for the corresponding period in 1944. This decline in earnings was apparently due to cutbacks in war orders.

The balance sheet as of August 12 showed current assets of \$3,-918,893 and current liabilities of \$582,563, leaving a working capital of \$3,336,330. The ratio of current assets to current liabilities was 6.8 to 1, which compares with 2.1 to 1 a year ago when current assets totalled \$5,676,180 and current liabilities were \$2,651,066.

\$2,000,000 bank notes have been paid off this year.

The Hartford-Connecticut Trust Company showed indicated earnings of \$1.76 a share for the third quarter of 1945 which compares with \$1.61 for the corresponding period of 1944.

Phoenix State Bank & Trust Company for the same quarters showed \$9.61 and \$6.69 per share respectively.

Michigan Personnels

DETROIT, MICH.—E. Benjamin oss is with Hulburd, Warren & Chandler. Mr. Foss has recently been with the State Tax Commis-sion and Department of Revenue. In the past he was with Mason & Faulkner, Inc.

DETROIT, MICH.—Donald T. McHugh has become associated with Merrill Lynch, Pierce, Fenner & Beane, Buhl Building. Mr. McHugh has been with the U. S. Army for the past four years.

The Hartford-Empire Company, its licensees, and the Government have reached an agreement for the purpose of completing a settlement in the "Glass" suit and ending all disputes between the company and the glass container industry. A hearing on this proposed decree will be held on October 22 in the District Court of the United States in Toledo, Obio Ohio.

The proposed decree would pro-vide for the imposition of certain restraints upon the defendants, and the licensees would enter in-to new licenses at reduced royalty rates and would execute cove-

nants against litigation.

Royalties in the amount of approximately \$21,000,000 paid to the Receiver by licensees from Sept. 1, 1942 to Oct. 31, 1945 (on which no taxes have yet been paid) would be disposed of by paying 60% to the licensees and the remainder to the Hartford-Empire Company.

Royal Typewriter Company showed net profit of \$1,467,962 for the fiscal year ended July 31 which compares with \$1,056,581 for the preceding fiscal year. On a per share basis, earnings were \$1.12 and 74c respectively.

Colt's Patent Fire Arms Manufacturing Company reported net profit, after taxes, of \$485,857 for the 32-week period ended August 12 and for the 16-week period ended August 12, \$186,067. While figures for corresponding periods of last year were not given, the 1944 year-end statement showed a loss of \$3,661,691.

The balance sheet of Aug. 12. The balance sheet of Aug. 12, 1945 showed working capital of \$8,252,258 compared with \$7,402,-377 at the beginning of the year. The V-loan was reduced to \$5,000,000 against \$11,000,000 on January 1. Cash on hand totalled \$4,269,342 against \$4,277,890 and marketable securities were \$2,132,470 against \$2,189,567. There was an increase in surplus of was an increase in surplus of \$485,857 bringing the total to \$4,-093,122 on August 12.

Conn. Personnels

HARTFORD, CONN.-Theodore R. Blessing has rejoined the staff of Coburn & Middlebrook, 49

HARTFORD, CONN.—Frank A. Gates is with Denton & Co., Inc., 805 Main Street.

HARTFORD, CONN.-Edward C. Cotter has rejoined Jackson Steiner & Co., Inc., 19 Lewis Street, after serving in the U. S.

NEW HAVEN, CONN .- Anthony J. DeMayo has become associated with Eisele & King, Libaire, Stout & Co., 197 Church Street. In the past he was with Libaire, Stout & Co., and Slepack & Co. TRADING MARKETS:

Commerce Trust Co. Pickering Lumber Corp. Western Lt. & Tel. Co. Long-Bell Lumber Co. Central Coal & Coke Corp.

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ago St. Louis Los Angeles

Central Hanover Names Blewer, Heilner & Keller & Ingersoll

K. T. Keller, President of Chrysler Corporation, and C. Jared Ingersoll, railroad executive, were elected Trustees of the Central Hanover Bank and Trust Company of New York on Oct. 16 at a meeting of the board. Mr.



board. Mr. Keller, a pioneer in the automobile automobile industry since its early days, started with the Metzger Motor Car Company in Detroit in 1910. He was general master mechanic

ter mechanic with Buick in 1916-1917, later becoming a Vice-President of Chevrolet. In 1926 he joined the Chrysler Corporation as Vice-President in charge of manufacturing and became President in 1935. Mr. Ingersoll has been a railway executive since 1920, when he became associated with the Midland Valley RR. Company, and has been its Chairman of the board since 1932. He is President of the Muskogee Company and is a director of the Pennsylvania Railroad. Girard Trust Company, and the Western Saving Fund Society. During the war, Mr. Ingersoll served in the U. S. Army as District Chief of the Philadelphia Ordnance District.

Missouri Personnels

KANSAS CITY, MO.—D. F. Jackson has joined the staff of Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

ST. LOUIS, MO.—Harold E. Waggoner is with John R. Kauffmann Co., 506 Olive Street.

ST. LOUIS, MO. - Darryl W. Goode has recently been serving Gardner, 400 Locust Street. Mr. Goode has recently been serving in the armed forces.

ST. LOUIS, MO.—Estelle B. Leach and Jesse M. Myer are with Slayton & Co., 111 North Fourth Street. Mr. Myer has recently been serving in the U. S. Navy.

Dallas-Ft. Worth Club **Holds Fall Party**

FT. WORTH, TEX.—Members of the Dallas-Fort Worth Bond Club held their fall party at the Colonial Country Club. Golf and a dinner were the main features of the party for approximately 100 who attended.

Among the out-of-town guests were Charles Hahn, Scherck, Richter Co., St. Louis; Emmett Byrne, Dempsey-Tegeler & Co., St. Louis; Jack Hecht, Butler-Huff & Co., Los Angeles; David Sanders, Vance, Sanders & Co., Chicago; Malcolm Brown, New Orleans; Jack Halstead, Washington. ington.

Glynn Is Formed

ST. LOUIS, MO.—Blewer, Heitner & Glynn has been formed with offices at 320 North Fourth Street to engage in a securities business. Partners are Norman Ernest Heitner and Joseph A. Glynn, Jr., formerly with the Mercantile-Commerce Bank & Trust Company, and Clarence F, Blewer, previously with Dempsey-Tegeler & Co. and the Mercantile-Commerce Bank.

Southwestern IBA **Group Elects Evans**

KANSAS CITY, MO. — The Southwestern Group of the Investment Bankers Association of vestment Bankers Association of America elected Harold C. Evans, Commerce Trust Co., Chairman, to succeed A. E. Weltner of A. E. Weltner & Co. Other new officers are: Harlan Herrick, Lathrop-Hawk-Herrick Co., Wichita, Kans., Vice-Chairman, and James M. McKim, A. H. Bennett & Co., Kansas City, Secretary-Treasurer.

Higher Prices Seen By Management Firm

Underneath all current discussions "nobody really expects anything but advancing wages and prices," according to Distributors Group, Inc., 63 Wall Street, New York City, investment manager of Group Securities, Inc., a \$75,-000,000 investment company.

"The hope is that both (wages and prices) will advance only to a limited and relatively modest ex-

These forecasts are set forth in the current investment report to the directors of Group Securities, Inc. The report continues: "The chief risk to investors is to be out of common stocks during the period of price advance. In our opinion common stocks are sounder holdings than cash, and for many investors sounder holdfor many investors sounder holdings than preferred stocks or bonds at this time."

As outstanding values for appreciation, and offering good current return, the report lists the following stock groups: Steel, railroad, aviation and railroad equipment shares. Merchandising equipment shares. Merchandising and industrial machinery shares are also expected to do better than average. For investors chiefly concerned with well-assured and generous income as well as conservative appreciation possibilities, chemical and tobacco shares are recommended.

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Missouri Brevities

The board of directors of Stix, Baer and Fuller Company on Oct. 8 resolved to meet on Dec. 10, next, to consider the payment of an additional year-end dividend on the common stock in January, 1946, the last month of the company's fiscal year. On Jan. 30, 1945, a year-end distribution of 25 cents per share was made, bringing the total paid for the last fiscal year to 75 cents per share. The board declared a regular dividend of 25.

to holders of record Nov. 15, 1945, which is at the same rate as that paid on June 9, last, and brought payments so far this year to 50

BELL TELETYPE SL 456

Coco-Cola Bottling Co. of St. Louis, declared the usual dividend of 25 cents per share, payable Oct. 20 to stockholders of record Oct. 10, the same rate as in preceding

The post-war program of the Cook Paint and Varnish Company calls for an expansion of plant facilities which will double the present output of paints; lacquers and enamels, Charles R. Cook, President, announced on Oct. 13. Work is expected to begin immediately on the construction of an addition to the company's North Kansas City unit to cost approximately \$250,000.

"Sales during Sentember dem-

"Sales during September dem-onstrated clearly that an ex-pansion is necessary," Mr. Cook said. "Volume was practically pansion is necessary, and said. "Volume was practically the same as a year ago, although last month did not have any of the war business which existed in the previous year. Total sales the plue months ended Aug. in the previous year. Total sales for the nine months ended Aug. 31, 1945 were at a new record, reaching \$13,023,485, an increase of 18% over the nine months ended Aug. 31, 1944. And the year ending Nov. 30, 1945 should produce the biggest volume in the company's history."

An issue of \$75,000,000 South-An issue of \$75,000,000 South-western Bell Telephone Co. 40-year 2¾% debentures due Oct. 1, 1985, was offered on Oct. 9 by a syndicate headed by Halsey, syndicate headed by Halsey, Stuart & Co., Inc. of Chicago, and including Baum, Bernheimer Co. and Stern Brothers & Co. of Kan-sas City and Edward D. Jones &

Co., McCourtney-Breckenridge & Co., Metropolitan St. Louis Co., Newhard, Cook & Co., I. M. Simon & Co., Smith, Moore & Co., Stifel, Nicolaus & Co., Inc. and Stix & Co., all of St. Louis. The proceeds are to be applied toward the retirement of (a) \$30,000,000 of first and refunding mortgage 3% bonds, series C, due July 1, 1963, and (b) \$45,000,000 of first and refunding mortgage 3½% bonds, series B, due Dec. 1, 1964.

On Oct. 11, an issue of \$40,312,-000 Terminal Railroad Association of St. Louis refunding and improvement mortgage 2% bonds, series D, due Oct. 1, 1985, were offered publicly by a syndicate headed by The First Boston Corporation of New York and Boston, and including, among others, Smith, Moore & Co., St. Louis. The issue was quickly oversubscribed.

The proceeds, together with treasury funds, are to be used to retire \$34,000,000 of general mortgage refunding 4% sinking fund bonds due Jan. 1, 1953, and \$6,375,000 of refunding and improvement mortgage 3%% bonds, series B, due July 1, 1974.

At the close of the last fiscal At the close of the last fiscal year—ended April 30, 1945—the bonded debt of Kansas City, Mo., was \$40,818,000, a net reduction of \$1,879,000 when compared with the close of the previous fiscal year, ended April 30, 1944. It was also \$8,012,000 less than on April 30, 1942, when the total bonded debt reached a record peak of \$48,830,000. Interest charges during the latest fiscal year amounted to \$1,315,165.

The only funded debt created by this municipality in the year ended April 30, 1945 was \$189,-

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000 of judgment issues. receipts from all sources during that period were \$15.549,977 and disbursements amounted to \$13,-

599,696. The cash balance at April 30, 1945 was \$7,307,932.

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St. Louis Stock Exchange

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New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange do business as an individual floor is announced the following broker.

Privilege of Lawrence Craufurd eekly firm changes

Transfer of the Exchange membership of the late Russell S. Cooney to Edward J. Shean will be considered on Oct. 18th. It is understood that Mr. Shean will Edward E. Barry, general part-Edward E. Barry, general part-

Joseph Mindell retired from partnership in Marcus & Co. on Sept. 29th.

Interest of the late Howard C. Rand in Proctor, Cook & Co., ceased as of Sept. 30th.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these Shares for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Shares.

The offering is made only by the Prospectus.

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\$100 Par Value

Price \$103.50 per share Plus accrued dividends

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Blyth & Co., Inc.

October 18, 1945.

This is not an Offering Circular. The Offer of these Bonds is made only by means of the Offering Circular, which should be read prior to any purchase of these Bonds.

NEW ISSUE

\$40,000,000

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First Mortgage Thirty-Year 4% Bonds, Series A

Dated October 1, 1945

Due October 1, 1975

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October 18, 1945

White, Weld & Co.

ner in Milton E. Reiner & Co., became a limited partner effective Oct. 1st. Federal Tax Revision— Its Scope and Pattern

already \$272.2 billion on Oct. 8
1945, while the fiscal year 1946
deficit, before tax reduction, was
estimated at \$30.4 billion; surely,
the debt peak will not be reached
by the end of the current fiscal
year, and the estimated figure of
\$273 billion manifestly is altogether too unrealistically optimistic).

Tax Revision Essential

Tax revision is an immediate must. On this there is universal agreement—administrative, legislative, public. It is recognized that war-time taxation will become peace-time taxation only as the result of a series of trans-itional amendatory steps. The first of those steps was taken in first of those steps was taken in the Tax Adjustment Act of 1945, which was enacted on July 31, 1945; the second is being taken in the House bill now before the Senate. Eventually there must be tax reform, but before tax reformation is achieved we appear destined to more mere tax revision, more tinkering.

The highest peace-time national

destined to more mere tax revision, more tinkering.

The highest peace-time national income was \$83.3 billions in 1929, and reached \$80 in only one other year (1928); during the entire 1931-1939 period \$70 billion was attained only twice (\$71.5 billion in 1937, and \$70.8 in 1939). These high 1937 and 1939 levels are equivalent to about \$90 billion in 1945 "cost of living" dollars, if effect is given to decreased purchasing power of the dollar based on the 1935-1939 level. The national income for the calendar year 1945 is estimated at \$157 billion in the September, 1945, issue of the "Survey of Current Business." Out of this estimated national income, Federal taxes under existing law will amount to about \$22 billion (Federal corporate taxes of about \$9 billion are deducted in the estimate of national income). Between \$8.\$10 billion is the estimated amount of State and local taxes. It is generally agreed that so great a burden of taxation can be borne only in the presence of so high a national income, and this is especially true when patriotic motivation temporarily supplants normal economic incentive to profit-making. There is unanimnormal economic incentive to profit-making. There is unanim-ity of agreement that our national ity of agreement that our national goal in the post-war period must be high production and high employment at relatively high compensation; compensation of employees is most important because it represents approximately 70% of total national income. While there are many estimates as to the prospective level of peacetime national income, it is quite possible that all of the statistical time national income, it is quite possible that all of the statistical guesses may prove to be wrong. The more important of these estimates vary from \$110 billion (at the pre-war price level) to \$140 billion at the 1943 price level. While we hope that such peacetime national income may be realized and retained for a long period of time, the fact is that as recently as 1932 the national income dropped to \$40 billion. Manifestly, the \$8 billion of Federal, State and local taxes in that period was a greater burden than period was a greater burden than a combined tax of \$30-\$35 billion out of a national income of \$100-\$125 billion.

Federal Expenses Must Be Cut

Peace-time taxation cannot be achieved until war and war-in-duced expenditures have reached a level of about \$20-\$25 billion. achieved until war and war-induced expenditures have reached a level of about \$20-\$25 billion. That means a drop of \$75-\$80 billion from peak war-time expenditures. It also means expenditures of a magnitude three times as large as our highest peace-time expenditures. Annual interest charges alone will exceed total receipts of the national Govern-prived for one or more years. In ment for any year up to 1937; ex-addition, there is some excess

cept during the three post-World War I years 1919-1921! The size of the Federal budget

will be greatly influenced by national policy regarding management of the debt. Does anyone believe it possible to prevent the debt from reaching \$300 billion? To provide for amortization in the presence of recurring annual deficits, as some advocate, is playing at make-believe. Even a 1% amortization policy, requiring 100 years for extinguishment, would add \$3 billion to the Federal tax burden. And it was not until 1917 that the United States eral tax burden. And it was not until 1917 that the United States collected in total receipts as much as one billion dollars! After World War I, during two years (1932 and 1933) total Federal receipts from all sources amounted to \$2 billion only. In determining national policy relative to debt management, there may be many who will urge that the debt be consolidated, without provision for amortization except in fortuitous windfall years, and these advocates will be able to point to British fiscal history to support the proposition that national growth and progress are possible under such non-debt reduction policy. Here we need not take sides in the argument, at least not yet. As we approached V-E Day it was generally recognized that our tax load must be lightened and

our tax laws simplified. Long before then, in fact as early as 1918-1920, students of taxation realized that our tax structure was becoming a nightmarish crazyquilt, unwarrantedly burdensome to business, industry and revenue administration, and as early as that the writer urged Congress to appoint a Tax Commission of experts for the purpose of developing a revenue measure which would serve change in rates. England had demonstrated the feasibility of such legislation. Since that pioneer recommendation, the tax law has become infinitely more complicated, arbitrary, inconsistent—inexcusably so, to the construction of administrator and taxpayer alike. Annual, and even more frequent, "tax tinkering" has been the cause. The American Institute of Accountants, other professional bodies, organizations of business men and labor, and others, are now united in demanding a commission of experts to draft fundamental tax reform. Between V-E and V-J Days, the first step was taken to convert war taxation to peace taxation, or, rather, to interim or transitional taxation. A second transitional change is now before the Senate in the form of the bill passed by the House on Oct. 11. There will be at least one (and probably more than one) transitional change before Congress will set itself to enactment of a full peace-time measure. We continue to hope that before much longer Congress, instead of itself for the 25th or 26th time since 1916 tackling the problem of revenue amendment, will create the impartial tribunal of experts, without the aid of which there is altogether too much historic evidence that there will result not tax reform but merely more (and not necessarily better) tinkering.

Tax Revision Pattern

As to the current pattern of our tax laws simplified. Long before then, in fact as early as 1918-1920, students of taxation

Tax Revision Pattern

profits tax decrease after 1945. The second "bite" is found in the pending bill now under Senate consideration; this seeks to encourage business activity and increase consumer purchasing power

Here, in brief, are the provisions of the Tax Adjustment Act of 1945:

(1) The 10% post-war excess profits tax refund is changed into a direct credit or reduction. The effect is that on returns for taxable years beginning after Dec. 31, 1943, the excess profits tax is reduced from 95% to 85.5%. With auced from 95% to 85.5%. With respect to returns for such years filed before the credit could be taken, the unpaid tax liability is reduced correspondingly and may be deducted from instalments still due. If the tax has been paid in

due. If the tax has been paid in full, prompt refund is to be made.

(2) Post-war excess profits tax refund bonds, provided under prior laws, matured at various dates after peace. Now, bonds already issued for years beginning in 1943 or earlier are due, at the owner's option, on Jan. 1, 1946; if the tax (or tax deficiency) for such years was not paid before July 1, 1945, cash refund will be made.

(3) Congress refused taxpayers the right of setting up and taking as deductions during the war years reserves for inevitable postwar costs and expenses stemming out of operations during the war period. Instead, provision was made to carry back, for two years, operating losses and unused excess profits credits (and corresponding two-year carryovers). The Tax Adjustment Act precipitates the commenced the control of the c The Tax Adjustment Act precipitates the carryback provisions: expected carrybacks of operating losses and of unused excess profits credits, for years ending on or after Sept. 30, 1945, are now available to postpone the unpaid taxes of the immediately preceding year by the entire amount of tax reduction consequent upon such expected carrybacks. Relief with respect to carrybacks of with respect to carrybacks of operating losses is available to corporate and non-corporate taxpayers alike.

(4) To encourage corporate and non-corporate taxpayers to invest in "emergency facilities" necesin "emergency facilities" necessary for the prosecution of the war, prior law permitted amortization deduction of the basis (usually cost) of such property during a 60-month period. If the facility was certified as no longer necessary before the expiration of the 60 months, prior taxes could be recomputed based on amortization over the shorter period. Shortening of the amortization period was also provided through presidential proclamation that the emergency was past. (Such proclamation was made on Sept. 29, 1945.) Recomputation and refund 1945.) Recomputation and refund are provided in the Tax Adjustment Act within 90 days after filing of application for tentative adjustment.

The four foregoing provisions of the Tax Adjustment Act are the major ones which have as their express purpose the Improvement of the taxpayer's cash status during the reconversion period following V-E Day. The advent of an early V-J Day made the provision even more necessary and helpful.

(5) Only one change in amount of tax—and that an indirect one—was included in the Tax Adjustment Act. For taxable years beginning on and after Jan. 1, 1946, ginning on and after Jan. 1, 1946, the excess profits tax specific exemption is increased from \$10,000 to \$25,000, and for fiscal years beginning in 1945 and ending in 1946 a proportional increase is provided. This increased exemption is of some help, of course, especially to the smaller and to the new corporation.

Many a taxpayer was disappointed at the Tax Adjustment Act, for it provided no tax relief at all to non-corporate taxpayers. Now another amendatory Act is under consideration—the second transitional "bite" in the conver-

sion of war taxes to peace taxes. Something over \$5 billion of calendar year 1946 tax reduction is sought, divided not quite equally between corporate and non-corporate taxpayers; the corresponding 1947 reduction will be about \$7 billion. This proposed reduction averages about a 10%-14% decrease from the war-time peak. This peak load must, let me say in passing, be at least halved in order even to approach a safe peace-time level. And as I say this I am very much alive to the fact that the first substantial tax cut proposal in 16 years is at the expense of national debt increase. Without the proposed slash, the 1946 deficit was estimated at about \$30 billion; it now becomes about \$35 billion.

Secretary Vinson, in his initial tax any appearance before hefers.

Secretary Vinson, in his initial tax appearance before his one-time own Ways and Means Comtime own Ways and Means Committee, presented the Treasury's first transitional tax reduction program. The House followed him, by and large, in the size of the reduction, but not in the means. The Senate will probably make radical changes. Briefly, here are the Vinson recommendations, the House action, and my own brief comments:

(1) Secretary Vinson recommendations are recommendations.

(1) Secretary Vinson recom-mended that the excess profits tax be repealed on Dec. 31, 1945. The

net yield, at the present 85.5% rate, with the exemption at \$25,000, and at expected 1946 profit levels, was estimated at \$2,555,000,000. It was this amount of revenue that the Secretary was willing to forego.

The House bill fixed the termination date as Dec. 31, 1946, and for 1946 reduced the rate from 85.5% to 60% and the combined maximum normal and surtax rates from 40% to 36%. The estimated 1946 tax reduction was thereby reduced from \$2.5 billion to \$1.7 billion (and increased to \$3.2 billion for 1947).

lion for 1947).

The Secretary's castigation of the excess profits tax as a peacetime measure should carry great weight with the Senate. My guess is that the Senate will lean toward Mr. Vinson's views, but whether this is so or not, the life of the excess profits tax is destined to be short. At any rate, Congress should provide that new corporations organized in 1945 Congress should provide that new corporations organized in 1945 and later should not be subject to the excess profits tax, a war measure.

(2) The Secretary advocated that the carrybacks of losses (available to all taxpayers) and of the corporate unused excess profits credits terminate at the the purpose of the remedial legis-

lation will have been fulfilled.

The House bill, although it extends the excess profits tax to 1946, does not extend the carrytermination date

In equity, the present two-year carryback provision should not be shortened, but retained until its mission has been fulfilled. There was at least an implied commit-ment that the carrybacks would be available for two full years after the end of the war, in lieu of a needed provision for reserves for post-war expenses and losses, Reconversion, speedier than was expected, may make the full two-year period unnecessary except for relatively few taxpayers. As a peace-time measure, carrybacks are an administrative and fiscal monstrosity. The Treasury should not have to be apprehensive about its right to retain most of its tax collections; except under extraor-dinary war or other emergency conditions, such collections should not be subject to refundment be-cause of future business losses. On the other hand, the operating loss carryover or carryforward provision should be extended to a minimum of four and a maximum of seven years, so that such losses at the start of a new business or end of 1946, because by that time those resulting from depression

period conditions should offset future earnings. Treasury budgeting is impossible in the face of carrybacks of losses, but this is not so because of carryovers. It would be infinitely better, however, both for the Government and for the taxpayer, to recognize the use of seasons in the carryovers.

the use of accounting reserves in the determination of net income.

(3) The Secretary did not refer to the capital stock tax and the related declared-value excess profits tax. If these taxes have any informed defenders, I have still to meet them.

On its own initiative, the House approved its committee's action in voting to repeal, as of next July 1, the capital stock and the related the capital stock and the related declared-value excess profits tax. The estimated 1946 loss is only \$180,000,000. If this repeal action is sustained, there will be eliminated from the Code an undignified and disgraceful tax penalty imposed on the taxpayer for failure to guess correctly the result of a future year's operations.

of a future year's operations.

(4) The Secretary recommended for individuals repeal of the present 3% normal tax, which would free from income tax about 12,000,000 taxpayers. He estimated revenue cost at \$2,085 millions.

The House rejected elimination (Continued on page 1832)

This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.

The Cincinnati Gas & Electric Company

\$45,500,000

First Mortgage Bonds, 23/4% Series Due 1975

Dated October 1, 1945

Due October 1, 1975

Interest payable April 1 and October 1 in New York City.

Price 101% and Accrued Interest

270,000 Shares

Cumulative Preferred Stock, 4% Series

(Par Value \$100 per Share)

These shares are being offered by the Company to holders of its presently outstanding 400,000 shares of Cumulative 5% Preferred Stock, Series A, pursuant to the Exchange Offer and to the provisions thereof as to allotment, all as set forth in the Prospectus. Any shares not issued under such Exchange Offer, which expires October 24, 1945, will be purchased by the several Underwriters.

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of the respective States.

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THE WISCONSIN COMPANY

October 18, 1945.

Federal Tax Revision—Its Scope and Pattern

of the normal tax and substituted vided refund of "floor taxes" on extension of the present \$500 surdistilled spirits, wines and fermented malt liquors and on stocks thus freeing about the care and the stock of clearly light built in the care and the stock of clearly light built in the care and the stock of clearly light built in the care and the stock of clearly light built in the stock of clearly light built in the stock of the tax exemptions to the normal tax, thus freeing about the same number of taxpayers as under the Vinson recommendation, and, in addition, benefiting all individual taxpayers. Further, the House reduced the surtax rates by from 4 to 9.5 percentage points in each bracket, so as to provide an overall minimum income tax reduction of 10% for all individual taxpayers. The present 90% limitation was reduced to 81% of the taxpayer's net income. The estimated reduction is \$2,627 million, about \$540 million more than the Secretary proposed.

Pay - as - you - go withholding will, of course, have to be modified as of next Jan. 1.

(5) The Secretary recom-mended fixing next July 1 as the date on which war-time increases in excise taxes terminate. The House concurred in the Secre-

distilled spirits, wines and fermented malt liquors and on stocks of electric light bulbs, at a 1946 estimated cost of \$160 million. The excise tax savings to taxpayers during the remainder of 1946 is estimated at about \$540 millions. It should be observed that the effect of the recommendation is merely to fix a date certain for rate reduction already in the law. (6) Pending congressional decision on the whole question of social security and its financing, the Secretary recommended further freezing of the present 1% rate on employer and employee for old-age and survivorship contributions.

tributions.

The House concurred in the

Secretary's recommendation.

(7) On its own initiative, the (1) On its own initiative, the House repealed the \$5 automobile and boat use tax after next June 30. The 1946 loss is estimated at \$140 millions.

proved the Secretary's recom-mendation that all tax reductions be prospective. He argued that

mendation that all tax reductions be prospective. He argued that reductions for the future were of maximum incentive value. Nobody could disagree.

The next "bite" or "bites" will probably seek to eliminate some of the many "rough spots" in existing law and undoubtedly further reduce corporate and noncorporate rates. The Senate may vote some reductions at once.

Tax Reform

Among the "rough spots" (other than ponderous and involved language and endless cross-references) which cry for eradication or correction in the next "bite" or "bites" at current tax revision, pending real tax reform, are:

(1) Taxation of inter-company dividends.

dividends.
(2) 2% penalty for the privi-lege of filing consolidated re-

(3) Existing double taxation of corporate profits is indefensible and should be remedied in one of a number of available ways.

(4) The treatment of capital gains and losses, especially losses.

(5) Exemption of corporations which are really business enter-

(6) Integration of the gift tax and the estate tax.

Probably the most crying need is for radical revision of the concept of "taxable net income." Specific statutory provisions, ad-Specific statutory provisions, administrative interpretations and judicial decisions have produced, over the years, disconcerting and arbitrary distinctions between "net income" determined by the consistent application of accepted accounting principles and constantly changing "taxable net income." In the long run the Treasury has not benefited from these distinctions, many of them ill-advised and inexcusable. The result is two types of bookkeepresult is two types of bookkeeping: business and tax, with the need of annual reconciliation.

ratic and illogical. A major sur-gical operation is indicated, and the sooner the better. Tax reform rather than tax revision can produce the remedy.

duce the remedy.

While officials speak of the need of "thoroughgoing" and "farreaching" and "basic revision" of our revenue laws, real tax reform, as I have already said, is probably possible only through the cooperative effort of a commission consisting of legislators, administrators, economists, accountants, attorneys and others versed in the science and practice and administration of taxation. The results of true tax reform will be a balanced budget, because of mandatory provision that the inescapable relationship between expenditures and revenue be respected; the burden will be apportioned equitably among the be respected; the burden will be apportioned equitably among the several groups of taxpayers; fiscal policy and revenue will be integrated; the relationship among tax-levying authorities will have been explored and mutually determined; the statute will be stable, and changing revenue needs will be met by changes in rates fixed at the beginning rather than near or after the close of the needs will be met by changes in rates fixed at the beginning rather than near or after the close of the tax year; Congress will be spared recurring need for protracted consideration of annual or more frequent tax tinkering proposals, while business and industry will be freed from worry about uncertain and threatening retroactive tax changes. The promise held forth by tax reform is so alluring that one wonders how soon the Tax Commission will be created and put to work. Only through the type of tax commission such as I have described can we look forward to a sane and civilized taxing statute. Its creation is the final step in the pattern of tax revision—a consummation devoutly to be wished. When it comes we shall recognize it for what it is: a measure which provides needed revenue for essential expenditures; one which distributes the burden fairly and equitably; a system of taxation which, while it does not attempt the impossible task of acting as a business incentive—taxation's role is not that—does not discourage either by the severity of its burden or by discrimination, business activity, industrial expansion, risk-taking and private investment.

Business Man's **Bookshelf**

Bank and Agent Auto Plan, The

—A Manual on Operations for the
Insurance Agent—National Association of Insurance Agents, 80
Maiden Lane, New York 7, N. Y.

—paper—50¢.

Big Business In A Democracy James Truslow Adams—Charles Scribner's Sons, 597 Fifth Avenus, New York City—cloth \$2.75.

pritain Faces Its Housing Emergency—Preliminary Report of National Committee on Housing Mission to Great Britain—National Committee on Housing, Inc., 512 Fifth Avenue, New York 18, N. Y.—paper—25¢. Britain Faces Its Housing Emer-

Dow Theory Barometer — A weekly service predicting future trends in the stock market—Four weeks' trial, \$1—Gaylord Wood, Inland Building, Indianapolis, Ind.

Graphic Stocks-Comprehensive book of stock charts showing 900 up-to-date graphs covering virtually every active stock listed on the New York Stock and Curb Exchanges, with monthly highs and lows for 10 years, and earnings and dividends from 1936-Edited and published bi-monthly -Single copy (150 pages), \$10; annual service, six revised issues,

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NEW ISSUE

October 18, 1945

\$49,000,000

Pacific Gas and Electric Company

First and Refunding Mortgage Bonds

Series N, 3%, due December 1, 1977

Dated June 1, 1945

- Due December 1, 1977

Price 105.30% and accrued interest

Copies of the Prospectus may be obtained from such of the several underwriters, including the undersigned, as are registered dealers in securities in this State.

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Merchants' Guild of Copenhagen

By RUDOLPH SCHMIDT

Chairman, Merchants' Guild of Copenhagen President, Danish Committee of the International Chamber of Commerce

Prominent Danish Merchant Describes the Development, Functions and Statutory Powers of the Oldest Existing Exchange, Which Counts More Than 7,000 Members. Explains Guild's Activities, Particularly in Assisting the Danish Government in Negotiating Trade Agreements and Points Out Task in Reviving International Trade. Says U.S. Can Play Leading Role in Promoting Foreign Trade by Lowering Tariffs and by Upholding the Most Favored Nation 1 Property of the Exchange of Copenhagen—the meeting place of the Merchants' Guild and its Committee—is not only one of the oldest and most impressive buildings of Copenhagen, it is, buildings of Copenhagen, it is, buildings of the numerous acts of our time in this field.

During the same great span of time the Presidency and later on the participation in these negotiations.

This work has grown to constant the participation in these negotiations.

chants' Guild a most impressive buildings of Copenhagen, it is, moreover, the oldest exchange building still in use of Europe, and its exterior is practically the same as at the same as at the time it was built more than 300 years



the owner of Rudolph Schmidt this building, was established in 1742 under the was established in 1742 under the presidency of a Chairman and two Elders. In 1817 the management was reconstructed to the effect that a Committee of 13, viz. a Chairman and 12 members, replaced the previous presidency. In 1914 the number of members fits Committee was increased In 1914 the number of members of the Committee was increased to 17; these members are all elected by a bare majority at the annual general meeting of the Merchants' Guild, which is held on the last Thursday of March, and every three years 3 members alternately go to the poll. On the same occasion the general meeting elects 11 members for the so-called Board, which consists of 444 members of the Guild, and which may be considered the comnecting link between the Committee and the numerous members of

tee and the numerous members of the Guild. The Board was, how-ever, not established till 1931. Today the Merchants' Guild counts more than 7,000 members, and the executive power is vested in the abovementioned Committee. All wholesalers in Copenhagen are compulsory members of the Merchants' Guild as laid down by the Trade Regulation Act of

the Merchants' Guild as laid down by the Trade Regulation Act of 1931 now in force.

Even if the Merchants' Guild and its Committee are very old institutions it must be maintained that it is not only statutory powers which have given the Committee its viability and influence, According to Danish law it is, indeed, vested with certain tasks and rights, but the way in which it has exercised these powers and in other ways displayed initiative and activity for the benefit of Commerce in Denmark is accounted for not by the statutory support, which it has enjoyed throughout the years, but to a fairly greater extent by the wide scope of its work and the activity it has displayed.

Statutory Powers

Statutory Powers

Among the most important statutory powers of the Committee is the obligation to pronounce opinions, that is to give declarations as to what must be looked upon as usages of trade or good commercial customs, when information to this effect is requested by public authorities or private individuals. It was not until the formation of the Committee in 1817 that this obligation was imposed by statute, but without beposed by statute, but without being based upon any statutory power it dates back as far as the middle of the 18th century, and thus the organizations of the comthus the organizations of the com-mercial class in Copenhagen have given declarations regarding usages of trade, which to a great extent have formed the basis of

During the same great span of time the Presidency and later on the Committee has been and still is a consultative body for the government departments in connection with the treatment of consular questions, partly at the establishment of new consular posts, partly at the filling up of vacant posts. This is, however, only one of the consultative tasks of the Committee; the Committee holds numerous others, and it may be of the consultative tasks or the Committee; the Committee holds numerous others, and it may be said that especially during the last 30 years or so it has had a very active intercourse with the Ministry for Foreign Affairs, and also with a number of other public authorities concerning all questions regarding commerce, customs duties, taxes, ports, mail, telegraph, and transport, partly at the instance of the authorities dealing with these questions partly on its own initiative or upon requests of the various trades, which are on a large scale organized in special trade associations, or of the individual members of the Guild.

One of the tasks involving a

This work has grown to considerable dimensions after international trade and commerce in consequence of the economic world crisis of 1929-30 and the ensuing rearmament in Germany had anthroped the idea of colf sufficient enthroned the idea of self-suffi-ciency and—at a later time—the bilateral clearing agreements with bilateral clearing agreements with their thoroughly specified items. Both these tendencies have contributed highly to impede the natural growth of international trade which was experienced after all crises previously, and especially as regards the bilateral clearing agreements it can be said that the extent of trade is deall crises previously, and especially as regards the bilateral clearing agreements it can be said that the extent of trade is determined by the party having the smallest export possibilities at its disposal. The years of the world war have, indeed, together with the radical political encroachments proved how international trade—as far as nearly all European countries are concerned—nas gradually been reduced to a minimum. For the men of the wholesale trade as advocates of

the greatest possible international trade these years have, therefore, been marked by enormous difficulties, while at the same time they have caused considerable reductions of the living standard of the population at large.

Heads Memphis Branch of St. Louis Reserve Bank of St. Louis, will retire on Dec. 31, under provisions of the Federal Reserve Bank of St. Louis Reserve Bank o

reductions of the living standard of the population at large.

The Post-War Task.

The task which now arises after the end of the war must, therefore be as soon as possible to get rid of the coercive measures to which international trade has been subject during the last 10 to 15 years. To those circles which believe in the importance of international trade for an increased living standard and for the protection of the individual citizen's freedom to buy what and where he chooses it is a vital question which economic policy will be advocated by an immense country as the United States. No other single country can master the task of giving rise to a turn of the tide in world trade politics because by virtue of their enormous possibilities of production and immense economic and financial resources the United States have the best economic and financial resources the United States have the best prospects of going in efficiently for the principles which in former international division of labor. To these principles belong first and foremost exemption from customs duties or at any rate moderate tariffs and the acknowledgment of the most-favored principle to the greatest are the greatest are stated.

Wm. H. Glasgow, Managing Di-Wm. H. Glasgow, Managing Director of the Memphis Branch of the Federal Reserve Bank of St. Louis, will retire on Dec. 31, under provisions of the Federal Reserve Retirement System. Mr. Glasgow entered the employ of the parent bank in St. Louis on Dec. 14, 1914, shortly after it opened. He was elected an Assistant Cashier in 1919, supervising the Credit Department. He has served as Managing Director of the branch since March 1, 1926. To succeed Mr. Glasgow, the Board of Directors of the bank on Oct. 11 elected William B, Pollard as Managing Director of the Memphis Branch, effective Jan. 1, Memphis Branch, effective Jan. 1, next. Mr. Pollard began his business career with the First National Bank, Hattiesburg, Miss. ness career with the First National Bank, Hattiesburg, Miss, and subsequently was employed by the Capital National Bank, Jackson, Miss. Following his discharge from the Army in December, 1918, he became office manager of a lumber manufacturing company in Pearl River County, Miss., and later engaged in the drug business at Ackerman. In 1927 he joined the State Banking Department of Mississippi as an Examiner, with headquarters at New Albany. In 1933 he became an Assistant Examiner for the Board of Governors of the Federal Reserve System, was promoted to Examiner in 1934, and has been Assistant Director of its Division of Examinations since 1942.

economic mission in the time to come so that this realization will pave the road for a fairly quick development of world trade for an improvement of the living stand-ard and a guarantee of the feeling of solidarity between the numer-ous different pations ous different nations.

\$25,982,000

The New York Connecting Railroad Company

First Mortgage 21/8% Bonds, Series B

Dated October 1, 1945

Due October 1, 1975

The Series B Bonds are guaranteed unconditionally as to principal, interest and sinking fund payments, by agreement and by endorsement, jointly and severally by The Pennsylvania Railroad Company and by the Trustees of the property of The New York, New Haven and Hartford Railroad Company.

The issue, guaranty and sale of the Bonds are subject to authorization of the Interstate Commerce Commission, and the guaranty of the Bonds by the New Haven Trustees is subject to authorization by the District Court of the United States for the District of Connecticut.

In the opinion of Counsel, the Series B Bonds will be legal investments for savings banks under the laws of the States of California, Maine, New Hampshire, New Jersey, New York, Ohio and Rhode Island, and for savings banks organized under the general laws of Pennsylvania.

Price 100% and accrued interest

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

HALSEY, STUART & CO. INC.

BEAR, STEARNS & CO.

BLAIR & CO., INC.

EQUITABLE SECURITIES CORPORATION

HARRIS, HALL & COMPANY

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L. F. ROTHSCHILD & CO.

SCHOELLKOPF, HUTTON & POMEROY, INC. WERTHEIM & CO. BURR & COMPANY, INC.

HALLGARTEN & CO.

GREGORY & SON

HAYDEN, STONE & CO.

PAINE, WEBBER, JACKSON & CURTIS AUCHINCLOSS, PARKER & REDPATH IRA HAUPT & CO.

MULLANEY, ROSS & COMPANY

E. M. NEWTON & COMPANY

F. S. YANTIS & CO.

These Bonds are offered, when as and if issued, subject to acceptance by the Underwriters, to approval of Counsel, to prior sale and to withdrawal, cancellation or modification of the offer without notice. It is expected that Bonds in temporary form will be ready for delivery at the office of Halsey, Stuart & Co. Inc., 35 Wall Street, New York 5, N. Y. on or about October 30, 1945.

October 16, 1945

Text of the Bank of England Nationalization Bill

The "Chronicle" has received by special arrangement the text of the measure introduced in the British Parliament on Oct. 10 to nationalize the Bank of England. The bill was presented by Hugh Dalton, the Chancellor of the Exchequer, supported by the Prime Minister, Clement L. Attlee, and by Herbert Morrison and Glenville Hall.

The text of the Explanatory and Financial Memorandum which accompanied the Bill, together with the Bill itself and the Schedules, follow:

BANK OF ENGLAND BILL EXPLANATORY AND FINAN-CIAL MEMORANDUM

1. The main purpose of this Bill is to provide-

(1) for the transfer of the exist-ng capital stock of the Bank of

ing capital stock of the Bank of England to a nominee of the Treasury (clause 1 (1) (a)); (2) for the appointment by His Majesty of the Governor, Deputy Governor and directors of the Bank (called "the court of direc-tors") (clause 2);

(3) for enabling the Treasury, after consultation with the Governor, to give directions to the Bank, but subject to such directions, for entrusting the management of the Bank to the court of directors (clause 4 (1) and (2));

(4) for enabling the Bank of England to request information from and to make recommendations to bankers and, if so authorrections to any banker for the purpose of giving effect to any such request or recommendation (clause 4 (3)).

2. Clause 3 contains consequential provisions for the alteration of the constitution of the Bank and of its charters and the Acts relating to it.

3. Under subsections (1) (b) and (2) of clause 1 the holders of Bank stock will receive in ex-change a 3% Government stock. The amount of Government stock to be issued to any holder will be that the annual interest is equal to the average annual gross dividend declared during the dividend declared during the period of 20 years ending on 31st March 1945. The amount of the capital stock of the Bank now outstanding is £14,553,000. The average annual gross dividend declared on Bank stock during those 20 years was 12%. On the basis laid down in the Bill the nominal amount of Government stock to be issued in exchange for Bank stock will be £58,-212,000. 212.000.

4. The Government stock may be redeemed at par on or at any time after 5th April 1966, but subject to such redemption, will be perpetual [clause 1 (3)]; the will Treasury may borrow for the purpose of the redemption (Sched-T, para. 12). The principal of Typara. 12). The principal of and interest on the Government stock and the expenses of its issue, management and redemption, will be charged on the Consolidated Fund (Schedule I, paras, 1 and 2) paras. 1 and 2).

5. Under clause 1 (4) the Bank will pay to the Treasury each half year, in lieu of dividends on Bank stock, the sum of £873,180 or such less or greater sum as may be agreed. The sum named represents a half year's interest at the rate of 3% per annum on the amount of Government stock to be issued; it will be applied to the payment of h would o of any i otherwise interest which have Which would otherwise have fallen to be paid out of the per-manent annual charge for the Nation Debt (Schedule I, para.

> BILL to

Bring the capital stock of the Bank of England into public own-ership and bring the Bank under public control, to make provision
with respect to the relations between the Treasury, the Bank of
England and other banks and for
purposes connected with the mat-

the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1-(1) On the appointed day-

1—(1) On the appointed day—
(a) the whole of the existing capital stock of the Bank (hereinafter referred to as "Bank stock") shall, by virtue of this section, be transferred, free of all trusts, liabilities and incumbrances, to such person as the Treasury may by order nominate, to be held by that person on behalf of the Treasury:

Treasury;
(b) the Treasury shall issue, to the person who immediately before the appointed day is registered in the books of the Bank as the holder of any Bank stock, the equivalent amount of stock created by the Treasury for the purpose (hereinafter referred to as the "Government stock").

(2.) The Government stock shall hear interest at the rate of three per cent. per annum; and the equivalent amount of Government stock shall, in relation to any per son, be taken to be such that the sum payable annually by way of interest thereon is equal to the average annual gross dividend de-clared during the period of twenty clared airing the period of twenty vears immediately preceding the thirty-first day of March, nineteen hundred and forty-five, upon the amount of Bank stock of which that person was the registered holder immediately before the appointed day.

(3) The Government stock may be redeemed at par by the Treas ury on or at any time after the fifth day of April, 1966, after giving not less than three months' notice in the London Gazette of their intention to do so.

(4) After the appointed day, no dividends on Bank stock shall be declared but in lieu of any such dividends the Bank shall pay to the Treasury, on every fifth day of April and of October, the sum of £873,180, or such less or great-er sum as may from time to time agreed upon between the Treasury and the Bank.

(5) The incidental and supplemental provisions set out in the First Schedule to this Act shall have effect with respect to the Government stock and to the sums payable to the Treasury under the last foregoing subsection. 2—(1) On the appointed day, all persons who are, immediately before that day, holding office as Governor, Deputy Governor or director of the Bank shall vacate their office, and on and after that day there shall be a Governor, a Deputy Governor and 16 directors of the Bank, who shall be the court of directors.

(2) The Governor, Deputy Governor and other members of the court of directors shall be appointed by His Maiesty.

(3) The provisions of the Second Schedule to this Act shall have effect as respects the tenure of office, qualifications and em-ployment of members of the court of directors and meetings of the court.

3-(1) So much of any ena ment as limits the duration of the Bank as a body corporate shall cease to have effect:

(2) As from the appointed day every member of the court of dievery member of the court of directors of the Bank shall be a member of the said body corporate, notwithstanding that he holds no Bank stock, and accordingly the members of the said body shall be the members for the time sters aforesaid.

Be it enacted by the King's most Excellent Majesty, by and holds the Bank stock on behalf of the Treasury.

San Be it enacted by the King's holds the Bank stock on behalf of the Treasury.

33 & 34 Vict. c. 71.

- รูป (ครั้งว่า แปก พลิป์ (พลเมสุน) จริงโดยตัวสาร์สินส์สาร์ โ

(3) As from the appointed day His Majesty may revoke the char-ters of the Bank except in so far as they incorporate the Bank, and thereafter, subject to the provi-sions of this Act, the Bank shall be constituted and regulated in accordance with such charters as may from time to time be granted by His Majesty and accepted on behalf of the Bank by the court of directors

enactments set out in the Third Schedule to this Act are hereby repealed as from the ap-pointed day to the extent speci-fied in the third column of that Schedule.

4—(1) The Treasury may from time to time give such directions to the Bank as, after consultation with the Governor of the Bank they think necessary in the public interest

(2) Subject to any such direc tions, the affairs of the Bank shall be managed by the court of directors in accordance with such provisions (if any) in that behalf as may be contained in any char-ter of the Bank for the time being in force and any byelaws made thereunder.

(3) The Bank may, if they think it necessary in the public interest, request information from and make recommendations to bankers, and may, if so authorized by the Treasury, issue directions to any banker for the purpose of securing that effect is given to any such request or recommenda-

(4) In this section the expres on "banker" means any suc sion "banker" means any such person carrying on a banking un-dertaking as may be declared by order of the Treasury to be a banker for the banker for the purposes of this

(5) Any order made under the

(6) This section shall come into operation on the appointed day.

5—For the purposes of this Act—

(a) the expression "the Bank"

means the Bank of England;

(b) the appointed day shall be such day as the Treasury may by order appoint, not being later than three months from the day than three months from the date of the passing of this Act.

6—This Act may be cited as the Bank of England Act, 1945.

SCHEDULES

First Schedule

Incidental and Supplemental Pro-visions as to the Government Stocks and Sums Payable by the Bank of the Treasury

1. The principal of and interest on the Government stock, and any expenses incurred in connection with the issue or redemption thereof, shall be charged on and issued out of the Cansolidated Fund of the United Kingdom or the growing produce thereof (hereafter in this Schedule referred to as "the Consolidated Fund").

2. There shall be paid to the 2. There shall be paid to the Bank and the Bank of Ireland out of the Consolidated Fund such sums in respect of the management in any financial year of the Government stock as may be agreed upon between the Treasury and those Banks respectively.

3. The interest on the Government-stock shall be payable on the fifth day of April and the fifth day of October in each year.

4. A full half year's interest on the Government stock shall be payable on whichever of the dates mentioned in the last foregoing paragraph occurs first after the appointed day, and shall be deemed to have accrued from day to day during the six months pre ceding that date.

5. The interest on the Govern ment stock shall be paid out of the permanent annual charge for the National Debt.

6. Section 47 of the Finance Act, 1942 (which empowers the Treasury to make regulations as last foregoing subsection may be respects the transfer and registra-

Extent of repeal

Sections thirty, thirty-two, forty-five and forty-nine.

Sections sixty, sixty-one seventy and seventy-

Section twenty-five.

The whole Act.

Section thirty-eight.

In section eight, the words from "disabled" to "Parliament, or be".

section thirteen the words from "and also subject" to the end of the section; in section fifteen, the words from

"subject to redemption' to "and not otherwise" section sixteen.

In section one the words

words

of the section.

from "for the period" to the end of the section;

in section fourteen the from "subject heless" to the end

Section twenty-seven ex-cept in so far as it authorises the redemp-tion of the debt due

from the public to the Bank of England.

varied or revoked by a subsequent tion of stock and registered bonds of the descriptions specified in Part I of the Eleventh Schedule to that Act), and any regulations made thereunder which are in force immediately before the ap-pointed day, shall have effect as if the Government stock were included among the stocks mentioned in the said Part I and among the stocks to which the said regulations apply.

7. Where immediately before the appointed day any dead person is registered in the books of the Bank as the holder or one of the joint holders of any Bank stock, any Government stock pur-porting to be issued to him, or to him and the other joint holders, shall be deemed to be duly issued to his personal representatives, or to the survivors or the personal representatives of the last survivor of the joint holders, as the case may be; and, in the case of administrators, as well as in the case of executors, this paragraph shall have effect notwithstanding that there is no grant of representation to them until after the appointed day.

8. The Government stock issued in substitution for any Bank stock shall be held in the same rights and on the same trusts and sub-ject to the same powers, privileges, provisions, charges, re-straints and liabilities as those in, on or subject to which the Bank stock, was held immediately be-fore the appointed day, and so as to give effect to and not revoke any deed, will, order, mandate, notice or other instrument or tesnotice or other instrument or tes-tamentary or other disposition disposing of or affecting the Bank stock, and every such instrument or disposition shall take effect with reference to the whole or a proportionate part, as the case may be, of the substituted Gov-ernment stock.

9. Trustees, executors and all other holders in any representative or fiduciary capacity of any Bank stock may hold, dispose of or otherwise deal with the Govor otherwise deal with the Government stock issued in substitu-tion therefor in all respects as they might have held, disposed of or otherwise dealt with the Bank stock.

10 Paragraphs 3, 4 and 5 of the Second Schedule to the National Loans Act, 1939 (which applies certain enactments to securities issued under that Act), shall have effect as if references to securities issued under that Act included references to the Government stock.

11. The Government stock shall be subject to the provisions of the National Debt Act, 1870, so far as consistent with the tenor of this Act.

12. The Treasury may, for the purpose of providing any sums required by them in order to redeem the Government stock in ac-cordance with section one of this cordance with section one of this Act, ra'se money in any manner in which they are authorized to raise money under the National Loans Act, 1939, and any securities created and issued to raise money under this paragraph shall be deemed for all purposes to have been created and issued under that Act der that Act.

13. The sums paid by the Bank to the Treasury in lieu of divi-dends on Bank stock shall be paid into the Exchequer, and issued out of the Consolidated Fund at such times as the Treasury may direct, and applied by the Treasury to the payment of any interest which would apart from this paragraph have fallen to be paid out of the permanent annual charge for the National Debt.

14. In charging the profits and gains of the Bank for the puroses of income tax for any year of assessment, the sums paid by the Bank as aforesaid in that year shall be allowed as a deduction. (Continued on page 1840)

Section seventy-two.

THIRD SCHEDULE EPEALED

	ENACTMENTS REPR
Session and Chapter	Short title
5 & 6 W. & M. c. 20.	The Bank of England Act, 1694.
8 & 9 Will. 3. c. 20.	The Bank of England Act, 1696.
7 Ann. c. 30	The Bank of England Act, 1708.
8 Ann. c. 1	The Bank of England Act, 1709.
3 Geo. 1. c. 8	The Bank of England Act, 1716.
15 Geo. 2. c. 13	The Bank of England Act, 1741.
39 & 40 Geo. 3. c. 28.	The Bank of England Act, 1800.
7	
3 & 4 Will. 4. c. 98.	The Bank of England Act, 1833.

The Bank Charter Act, 1844. 7 & 8 Vict. The National Debt 33 & 34 Vict.

Act, 1870. The Bank Act, 1892

Subsection (1) of section seven.

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ch Debt Payment Agreement (b) the equivalent in sterling of the Finmark sum due, calculated in accordance with the provisions of Article 8(2) of this memorandum, in the case of debts expressed in Finmarks. **British-Finnish Debt**

Memorandum Provides for Liquidation of Indebtedness Between United Kingdom and Finland.

On Aug. 2, an agreement was concluded between the British vernment and Finland designed to facilitate payments and the

liquation of indebtedness between the two countries. Unlike other similar agreements that Great Britain has drawn up with Scandinavian countries, this one does not provide for fixing the exchange rate between the currencies of the two countries. It applies merely to the procedure to be followed in settling indebtedness which has resulted from the application of the British laws regarding enemy property and tradliquation of indebtedness between garding enemy property and trad-ing with the enemy.

The text of the Agreement fol-

lows:

Memorandum of Agreement Article 1

The United Kingdom authorities will relax the effect of the Trading with the Enemy legislation in force in the United Kingdom so as to permit of the resumption of private trading and financial transactions between the financial transactions between the United Kingdom and Finland.
Moneys becoming payable to Finland in respect of such transactions will not be payable to the United Kingdom Custodian.

Article 2

Sums payable from persons resident in the sterling area to persons resident in Finland may be credited to a sterling account (hereinafter referred to as a "Finnish account") in the name of a resident in Finland with a bank in the United Kingdom, provided that permission has been obtained where required under the exchange control regulations in force in the sterling area territory concerned.

Artisle 2

Article 3

Article 3

The balances on Finnish accounts will be available for payments in the sterling area and for transfers to other Finnish accounts in accordance with the terms of this memorandum of agreement and with the regulations in force in the United Kingdom from time to time. to time.

Article 4

Finland's Bank as agent of the Finnish authorities will, on the basis of the official rates published in Finland for the purchase and sale of sterling against Finnish

(i) buy sterling offered to them

(i) buy sterling offered to them from Finnish accounts;
(ii) sell such sterling at their disposal as may be required of them for all payments which residents of Finland, under the exchange control regulations in force in Finland, are permitted to make to residents of the sterling area.

Article 5

The United Kingdom and Finnish authorities will make every endeavor within the framework of the exchange control regulations in force in the United Kingdom and Finland, and subject to their respective policies in respect of the control of capital transactions, to avoid all delay and restriction on the transfer of current debts between residents of the United Kingdom and residents of Finland land.

Any sterling held by Finland's Bank shall be invested only as may be agreed with the Bank of England.

Article 7

(1) Finland's Bank, acting as agent of the Finnish authorities, will open a Finnish account in will open a Finnish account in their name with the Bank of England to transfer to land, to be designated "Finland's Bank of England to transfer to land, to be designated "Finland's Bank of England to transfer to the Bank 'B' Account" (hereinafter referred to as "the B account"), for the purposes set out in Article 8 of this memorandum.

(2) 12½% of all moneys due ling, and

from United Kingdom Govern-ment Departments in respect of commercial transactions to the commercial transactions to the Finnish Government, the Finnish authorities, or persons resident or carrying on business in Finland, shall be credited to the B account. The balance of such moneys shall be credited to the Finnish account onesed by Finland's Book with opened by Finland's Bank with the Bank of England which is des-ignated as "Finland's Bank 'A' Account."

(3) Finland's Bank will undertake to ensure payment to the Finnish creditors in respect of all sterling sums credited under this Article to Finland's Bank 'A' Account and to the B account.

Article 8

(1) The use of the sterling sums standing in the B account shall be restricted to making payments in respect of:

in respect of:—

(a) all sums due and payable at the date of the coming into force of this memorandum of agreement from the Government of Finland or persons in Finland to the Gov-ernment of the United Kingdom or to persons resident or carrying on business in the United King-dom or in any of the British Col-onial dependencies, which would have been eligible for transfer under the Finnish exchange control regulations in force on Dec. 6, 1941. The sterling sums standing in the B account may also be made available for the transfer of such other classes of debts already due to the persons aforesaid as may be agreed between the United Kingdom and Finnish authorities

thorities.

(b) all sums due and payable at the date of the coming into force of this memorandum of agreement to persons wherever agreement to persons wherever resident in respect of interest ac-crued and bonds due for redemp-tion of the following loans, viz.: The Government of the Repub-lic of Finland 5% Loan, 1923; The Municipal Mortgage Bank of Finland 5% Sterling Mortgage Ronds 1927:

of Finland 5% Sterling Mortgage Bonds, 1927; The Industrial Mortgage Bank of Finland Sterling Mortgage Bonds 6%, 1930; City of Helsingfors 4% Sterling Loan, 1909; City of Tammerfors 4½% Ster-

ling Loan, 1910;
Osakeyhtio Waldhof Aktiebolag
7% First Mortgage Debenture
Loan, 1929;

Osakeyhtio Waldhof Aktiebolag 5½% Second Mortgage Debenture Loan, 1934.

(c) other claims made by or on (c) other claims made by or on behalf of the Government of the United Kingdom or of any of the British colonial dependencies, payment of which it is agreed between the United Kingdom and Finnish authorities should be made through the B account.

(2) In the case of debts expressed in Finmarks, the Finmark sum due shall be transferred into sterling at the official rate published in Finland on the date when the debt fell due.

Article 9

(1) In cases where moneys have een paid to the Finnish author-(1) In cases where moneys have been paid to the Finnish authorities under Finnish Custodian legislation as payable to persons resident or carrying on business in the United Kingdom or in British colonial dependencies, the Finnish authorities will arrange for Finland's Park to introduce the control of the for Finland's Bank to instruct the Bank of England to transfer to the Board of Trade out of the B

(2) The Finnish authorities will furnish the Board of Trade as soon as possible with a statement showing the moneys due to be paid under this Article, distinguishing in each case the amount due, the currency in which the obligation was expressed and the name and address of the debtor and creditor.

Article 10

(1) Sums of the kinds referred to in Article 8 which have not been paid to the Finnish authorities under Finnish Custodian ities under Finnish Custodian legislation will unless otherwise agreed be settled, if possible, as between debtor and creditor and transfer effected through the 'B' account, except in the case of payments due in some currency other than sterling or Finmarks. With a view to facilitating such settlement. ment:

(a) the Finnish authorities will remove whatever legal obstacles may exist in the way of establishment and enforcement in the Finment and enforcement in the riminsh courts of the claims of the creditors against their debtors, and will consider action for the removal of legal obstacles (including periods of limitation) arising from the war which may prevent an equitable settlement of outstanding indebtedness. outstanding indebtedness;

(b) if creditors are unable to trace and identify their debtors the Finnish authorities will assist as far as possible:

(c) Finland's Bank, on behalf of the debtor, will request the Bank of England to transfer ster-ling to the creditor in respect of the moneys referred to in this Article; in the case of debts expressed in Finmarks the sterling sums will be calculated in accordance with the terms of Article 8(2) of this memorandum;

(d) Finland's Bank will authorize the Bank of England to advise the Treasury monthly of receipts and payments on the B account.

(2) The Finnish authorities will inform the Board of Trade of the arrangements made in Finland for the settlement of these obligations and will keep them advised of any subsequent changes,

Article 11

Article 11

(1) Finnish property situated in the United Kingdom will continue to be preserved to the fullest extent possible under the Board of Trade and Custodian regulations, and will be returned to the persons entitled as soon as possible after the conclusion of a Peace Treaty with Finland. In the meantime, the United Kingdom authorities will provide the Finnish authorities with all reasonable information about such property and will give full consideration to any view which the Finnish authorities may express about its administration.

to any view which the Finnish authorities may express about its administration.

(2) His Majesty's Treasury will direct the United Kingdom Custodians to pay or transfer to the Finnish Custodian moneys held by them which would, but for the war, have been payable to persons in Finland (other than moneys payable to British subjects). The Finnish authorities will direct the Finnish Custodian to pay the moneys so transferred into the B account. They will be used for the same purpose as the other moneys in the B account.

(3) The Finnish Custodian shall arrange for payment to be made, as soon as possible, to the Finnish creditors who, but for the war, would have been entitled to receive the moneys paid to the United Kingdom Custodians which have been transferred under the preceding sub-paragraph.

United Kingdom Custodians which have been transferred under the preceding sub-paragraph.

(4) The Board of Trade will furnish the Finnish Custodian with a statement in respect of such moneys, corresponding to the statement described in Article 9(2) above. above.

In remitting to a creditor in the United Kingdom or Finland sums transferred under Article 9 or Article 11 of this memorandum, the authorities of each country will make payment in such terms as to indicate, on information received from the other, the amount for which the debtor in the other country has secured a legal discharge therein.

Article 13

Nothing in this memorandum of agreement shall prevent the United Kingdom and Finnish authorities, in cases which in their opinion justify this action, from agreeing to the return to the person by whom payment was made of moneys how held by the

United Kingdom Custodians or b the Finnish authorities.

Article 14

Nothing in this memorandum of agreement shall be deemed to affect the position of money and property under United Kingdom exchange control regulations of the control regulations of th revenue law.

Article 15

The United Kingdom authorities undertake to ask any Governments of British colonial dependencies who may be concerned to make analogous arrangements

Article 16

For the purpose of this memorandum the expression "the sterling area" shall have the meaning from time to time assigned to it by the exchange control regula-tions in force in the United Kingdom. No change in the list of territories comprised in the sterling area shall have effect, for the purposes of this memorandum until it has been communicated to Finland's Bank by the Bank o England. In the event of a substantial change in that list, the United Kingdom and Finnish authorities will examine the change which might have to be made in the provisions of this memorandum.

Article 17

(1) The present memorandum of agreement will come into force on Aug. 17, 1945, and will remain in force until June 80, 1947.

(2) Not later than Dec. 31, 1946, the United Kingdom and Finnish authorities will review the provisions of the present memorandum with a view either to expediting the transfer of any of the sums referred to in Article 8 of this memorandum of agreement or to the final liquidation of the B account.

Article 18

A Finnish text of this memorandum of agreement shall be prepared and agreed between the Finnish authorities and the United Kingdom authorities. Thereafter the English and Finnish texts will be equally authentic.

London, Aug. 2, 1945.

This is under no circumstances to be construed as an offering of this Preferred Stock for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Stock. The offer is made only by means of the Prospectus.

60,000 Shares

Dresser Industries, Inc.

Preferred Stock (Cumulative), 33/4% Series (\$100 Par Value-Convertible Prior to September 15, 1955)

Price \$103 Per Share

(plus accrued dividends from September 15, 1945)

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer this Stock in compliance with the securities laws of the respective States.

Harriman Ripley & Co. Reynolds & Co.

Glore, Forgan & Co.

Kidder, Peabody & Co.

Lazard Frères & Co.

October 16, 1945.

Excess Profits Taxes on 300 Stocks

(Compiled by the Economics & Investment Department of the National Securities & Research Corporation of New York City)

The figures in this table are based on the 95% excess profits tax (less 10% postwar refund) prevailing in 1944.

	Tl	ne figures i	in this table are based on		excess Di 1944 Excess	ofits tax (less 10% postwar Terun	944 Excess		1944 Excess
	Earnings	1944 Excess Profits Tax	Name of Company-	Earnings	Profits Tax per Share	Earnings	Profits Tax per Share	Name of Company— per Sh	ngs Protits Tax are per Share
Name of Company— Aircraft—	per Share	per Share	Allied Chemical & Dye			Cooper-Bessemer Corp. 2.46 Dresser Industries, Inc. *22.44	11.96 6.38	Railroad Equipment— American Brake Shoe	
Aviation Corp	1\$0.54	\$0.86 17.04	CorpAmerican Agricultural	8.14	4.20	Ex-Cell-O Corp 15.83	16.50	Co 2.7	7 1.98
Beech Aircraft Corp Bell Aircraft Corp	8.01	24.74	Chemical Co Atlas Powder Co	62.77 5.29	3.28 9.03	Fairbanks, Morse & Co. 4.75 Foster Wheeler Corp. 5.51	21.41 36.48	Foundry Co 87.1	9 2.55
Boeing Airplane Co Consolidated Vultee Air-	4.86	24.76	Commercial Solvents			Gar Wood Industries, Inc 21.00	2.23	American Locomotive	8 13.91
craft Corp	18.80	34.64 38.55	Corp Dow Chemical Co	0.96 76.02	1.99 9.58	Ingersoll-Rand Co 8.70	7.09	American Steel Foundries 43.3	
Douglas Aircraft Co., Inc. Lockheed Aircraft Corp.	4.20	11.74	Hercules Powder Co Heyden Chemical Corp.	3.26 1.85	7.23 4.54	Pittsburgh Screw & Bolt Corp 0.58	1.62	Pressed Steel Car Co.,	
Martin (Glenn L.) Co North Amer. Av., Inc	4.37 42.44	41.03 9.99	Monsanto Chemical Co.	3.30	6.69 0.56	Superheater Co 1.76 U. S. Hoffman Ma-	2.67	Inc 2.2 Pullman, Inc 3.9	
Republic Aviation Corp.	2.86	13.28	Newport Industries, Inc. United Carbon Co	0.84 5.61	0.45	chinery Corp 1.82	6.25	Union Tank Car Co 2.1	88.88
Air, Transport— Eastern Air Lines, Inc.	2.55	6.10	Coal—	, efc.)		Worthington Pump & 8.42	46.09	Railroads— Atchison, Topeka &	ionativi ir ir
Pan-Am. Airways Corp.	0.81	0.01	Consolidation Coal Co.,	3.36	0.04	Meat & Dairy Products— Beatrice Creamery Co. 92.96	4.73	Santa Fe Ry. Co 19.9 Chesapeake & Ohio Ry.	1 48.18
Auto Parts— Bendix Aviation Corp	7.22	27.20	Eastern Gas & Fuel Associates	d0.28	0.98	Carnation Co 3.34	4.70	Co 3.5	
Bohn Aluminum & Brass		16.85	Truax-Traer Coal Co	82.28	1.53	Cudahy Packing Co 25.59 National Dairy Prod-	15.93	Greyhound Corp 3.6 New York Central Rail-	
Corp Borg-Warner Corp	6.21 3.42	11.57	Containers— American Can Co	4.30	1.42	ucts Corp 2.13 Swift & Co 22.64	4.20 5.88	road Co 5.5 Pennsylvania Railroad	55 5.41
Briggs Mfg. Co Briggs & Stratton Corp.	2.72 3.23	6.47 e5.78	Anchor Hocking Glass	2.49	6.06	Metal Fabricating—		Co 4.9	
Budd (Edw. G.) Mfg. Co.	0.65	3.78 5.06	CorpContinental Can Co.,		1.72	Anaconda Wire & 2.90	7.25	Southern Pacific Co 9.7 Southern Railway Co 14.8	
Continental Motors Corp. Eaton Mfg. Co	5.31	15.28	IncCrown Cork & Seal Co.,	2.12	A POW	Fansteel Metallurgical	7.46	Retail Trade—Variety Butler Bros 1.0	01 2.29
Electric Auto-Lite Co Electric Stor. Batt'y Co.	4.09 2.18	10.71 4.67	Inc Hazel-Atlas Glass Co	3.74 5.33	4.40 17.19	Corp 2.22 Gorham Manufacturing	or speil	Grant (W. T.) Co 3.1	15 7.17
Kelsey-Hayes Wheel Co.		16.45	Owens-Illinois Glass Co.	3.06	4.21	Co 3.77 International Silver	6.40	Green (H. L.) Co., Inc. 4.0 Kresge (S. S.) Co 1.6	
Class B Noblitt-Sparks Ind., Inc.		11.11	Drugs & Cosmetics—	1.42	1.35	Co 12.08	47.17	Kress (S. H.) & Co 2.2 Kroger Grocery & Bak-	25 4.98
Parker Rust-Proof Co Smith (A. O.) Corp	41.87	1.28 56.16	Allied Laboratories, Inc. American Home Prod-			Scovill Manufacturing 2.00	11.87	ing Co 2.8	
Spicer Mfg. Co	36.55 1.02	28.65 7.01	ucts Corp Chesebrough Mfg. Co.	104 104	2.31	Metals—Non-Ferrous	0.04	McCrory Stores Corp. 1.9 Shattuck (Frank G.) Co. 1.1	1 1.05
Stand, Steel Spring Co Thermoid Co	1.11	0.62	Cons	7.23 0.63	9.48 0.83	Granby Cons. Min. Sm.	The Area of	Woolworth (F. W.) Co. 2.3	35 1.46
Timken-Det. Axle Co Timken Roller Bcar. Co.		12.93 2.81	Coty, Inc Lehn & Fink Products			& Power Co., Ltd 0.04 Kennecott Copper Corp. 3.59	0.09 1.73	Retail Trade—Dept. & Mail Order—	
Automobiles—			Corp Mead Johnson & Co		0.45 13.80	Molybdenum Corp. of	0.81	Allied Stores Corp 3.4	12 7.36
Chrysler Corp Diamond T Mot. Car Co.		5.38 11.63	Norwich Pharmacal Co.	0.89	0.94 0.97	Phelps Dodge Corp 2.49	2.57	Associated Dry Goods Corp 3.2	
Fed. Motor Truck Co	1.58	4.03	Parke, Davis & Co Sharp & Dohme, Inc	1.09	3.28	Reynolds Metals Co 2.71 St. Joseph Lead Co 2.86	7.58 0.24	Gimbel Bros 3.0 Marshall Field & Co 1.6	
Fruehauf Trailer Co General Motors Corp	3.68	8.37 3.59	Sterling Drug, Inc United Drug, Inc		1.06 5.52	Miscellaneous—		May Dept. Stores Co.,	
Mack Trucks, Inc Nash Kelvinator Corp		19.29 1.03	Electrical Products-	101		Bulova Watch Co., Inc. 107.54 City Ice & Fuel Co 2.06	15.67 4.37	Penney (J. C.) Co 6.5	25 11.51
Packard Motor Car Co.	0.27	1.20 10.31	Black & Decker Mfg	42.23	6.46	Diamond Match Co 1.63	4.25 3.50	Sears, Roebuck & Co 5.1 Shipping & Ship-	86 8.90
Reo Motors, Inc Seagrave Corp	0.74	0.26	Chicago Flexible Shaf		0.57	Mengel Co 1.72 Mullins Mfg. Corp. "B" 1.85	5.14	building—	
Studebaker Corp White Motor Co		5.39 10.30	CoCutier-Hammer, Inc	2.66	7.90	United States Plywood Corp *81.86	5.67	American Ship Build- ing Co 63.	86 7.08
Baking & Milling-			General Electric Co Hazeltine Corp		2.05 10.08	Motion Pictures &		Electric Boat Co 2. Todd Shipyards Corp1010.	
Continental Baking Co		1.46 1.15	Line Material Co	1.74	2.98 6.57	Amusements— Columbia Pictures Corp. 64.89	9.90	Soap & Vegetable Oils—	
General Mills, Inc	78.07	8.68 2.11	Master Electric Co Maytag Co	0.27	0.16	Eastman Kodak Co 9.15	14.14	Bon Ami Co. "B" 3. Glidden Co 22.	01 0.32 02 1.52
National Biscuit Co Purity Bakeries Corp		2.27	McGraw Electric Co Philco Corp	1.88 2.87	1.74 6.60	General Precision Equip.	3.67	Procter & Gamble Co 112.	
United Biscuit Co. of America		8.21	Radio Corp. of America	0.51	1.80 9.29	Loew's Inc \$\frac{1}{2}.90 \\ Paramount Pictures, Inc. 3.93	0.96 5.48	Spencer Kellogg & Sons, Inc 43.	54 9.77
Ward Baking Co. "B"			Sylvania Elec. Product	8	7.19	Radio - Keith - Orpheum	1.22	Wesson Oil & Snowdrift Co., Inc 32.	.27 3.60
Beverages & Confection American Chicle Co			Co., Inc Westinghouse Electric			Corp 1.57 Technicolor, Inc 0.95	0.53	Steel & Iron	
Beech-Nut Packing Co	5.59		Corp Weston Electrical In	$\times 2.03$	5.28	Twentieth Century-Fox Film Corp 5.93	10.97	Acme Steel Co ‡2.	.06 4.90
Canada Dry Ginger Ale	_ 2.34		strument Corp		10.22	Office Equipment—			.71 6.93
Coca-Cola Co Hershey Chocolate Corp			Food Products— California Packin			Addressograph-Multi- graph Corp51.63	2.98		.06 0.49
Pepsi-Cola Co	_ 1.02	0.66	Corp	_ 93.10	4.29	International Bus. Ma-	19.90	Bethlehem Steel Corp. 9.	.93 30.42 .44 13.76
Wrigley (Wm.) Jr. Co. Brewing & Distilling-		. 0.92	Corn Products Refinin		0.13	chines Corp 8.90 Marchant Calculating		Crucible Steel Co. of	19. Janetsey
Distillers CorpSeagram	ns,	6.29	General Foods Corp Libby, McNeil & Libb	_ 2.14	1.49 0.91	Mach. Co 2.74 National Cash Register	4.40	Harbison - Walker -	.23 36.88
Ltd National Distillers Prod	•	50% PG-\$50%	Penick & Ford, Ltd		f. [Co 2.03	1.92 5.91	Refractories Co 1	.18 0.43 .28 7.10
Corp.	_ 4.31	8.97	Inc Standard Brands, Inc	2.59	2.83	Remington Rand, Inc 102.42 Underwood Corp 3.07		Jones & Laughlin Steel	.86 1.48
Building— American Rad. & Stand			Stokeley-Van Camp, In Household Furnishin		0.50	Oils— American Republics		National Steel Corp 4	87 4.66
Sanitary Corp American Seating Co			Armstrong Cork Co	2.84	3.89	Corp 0.62		Republic Steel Corp 1 Rustless Iron & Steel	.44 4.40
Bird & Son, Inc	_ 1.20	0.94	Artloom Corp Mohawk Carpet Mill	s,		Lion Oil Co 3.36 Pure Oil Co 3.13	1.05	Corp 1	.88 4.72 · 1.51 3.85
Carrier Corp			Inc	_ 2.33		Skelly Oil Co 7.36 Standard Oil of Cal 3.34		Youngstown Sheet &	Section is a second as a second
Certain-teed Products Corp.	_ 0.38	0.17	Leather & Shoes-			Standard Oil of Indiana 3.87	0.75	A Principle Bearing to a restrict to a Re-	1.25 3.49
Crane Co Flintkote Co	_ 2.49	6.81	Brown Shoe Co Endicott, Johnson Cor	_ 23.19		Standary Oil of Ky 1.16 Standard Oil (N. J.) 5.69	1.79	Sugar— American Crystal Sugar	
Johns-Manville Corp	- 6.39	4.94	International Shoe Co	11.79	.1.31	Standard Oil of Ohio †2.83	0.90	Co ¹⁰¹	1.59
Masonite Corp Merritt-Chapman & Sco		3.15	Kinney (G. R.) Co., In Machinery—	c. 0.74		Champion Paper &	0.00	Telephone & Telegraph—	
Corp Minneapolis - Honeywe	_ 1.13	3 4.66	Agricultural— International Harveste			Fibre Co82.04 Container Corp. of		American Tel. & Tel.	3.42 2.41
Regulator Corp	_ 2.30		Co		3.60	America 2.64 Crown Zellerbach Corp. 81.97		New England Tel. &	
Otis Elevator Co Pittsburgh Plate Glas	SS	1100	Minneapolis-Moline Power Imp. Co	20.96	- 4.61	Gair (Robt.) Co., Inc 0.39	1.47		3.30 2.11 3.61 10.47
Co Pratt & Lambert, Inc.	6.0	2.18	Machinery—		AND THE RESERVE	Kimberly-Clark Corp. 3.09	2.67	Textiles—	
Trane Company	1.51	2.78	Industrial— American Chain	&		Mead Corporation 0.99			3.69 5.88 2.28 6.00
U. S. Gyps m Co	60.4		Cable Co American Laundry Ma	2.93	6:53	Urion Bag & Paper Corp 1.25	3.35	Bond Stores, Inc 4	4.12 8.99 4.20 6.80
Welworth Co Yale & Towne Manu	1.13		chinery Co	_ 2.00	80.0	Printing & Publishing— American Type Found-		Celonere Corp. of	
facturing Co		9.13	Foundry Co	1.00		ers, Inc 101.5		Cirett. Peabody & Co.,	2.87 4.96
Chemicals— Air Reduction Co., Inc.	. 2.1	2.75	Blaw-Knox Co Bucyrus-Erie Co			Interchemical Corp. 2.44		Inc	2.51 1.54
				1 30 E	Y.A. Kan				

			-
1944 1944 Excess Earnings Profits Tax per Snare per Share Profits Tax per Snare Per Share Pe	Name of Company	American Water Works 8 El. Co. 0.69 1.38 Arkansas Natural Gas 0.29 0.11 Cities Service Co. 3.88 0.80 Commonwealth & Southern Corp. 0.07 0.46 Detroit Edison Co. 1.03 0.41	
ber Co. 27.34 13.41 General Tire & Rubber Co. 3.53 5.01 Lee Rubber & Tire Corp. 25.38 11.71	Ltd., Inc	Engineers Public Service Co. 113.16 2.53 Northern States Power Co. "A" 16.81	1

Name of Comp	any—	1944 Earnings per Share	1944 Excess Profits Tax per Share
Pacific Gas &	Elec. Co	2.18	2.03
Southern Cali			4.12

d - deficit; e - estimate; Adjusted for 2 for 1 split; Adjusted for 3 for 1 split; x - Adjusted for 4 for 1 split; † Adjusted for 2½ for 1 split; 1 Year ending November, 1944; 2 Year ending October, 1944; 3 Year ending September, 1944; 5 Year ending July, 1944; 6 Year ending July, 1944; 6 Year ending July, 1944; 7 Year ending July, 1944; 7 Year ending May, 1945; 8 Year ending April, 1945; 9 Year ending February, 1945; 10 Year ending March, 1945; 11 Year ending June, 1945; 12 Year ending May, 1944;

Inflation Control and Treasury's Borrowing Policy

(Continued from first page) called that France greatly weakened her position during the war by heavy reliance upon the Bank of France and by a great increase in her bank note issue. She failed to pull up at the end of the war. In 1919 and 1920 the franc broke In 1919 and 1920 the franc broke to low levels in the foreign exchanges. At the end of 1926 France made a de facto stabilization of the franc with a gold content of approximately 20% of the old parand with commodity prices at 641% of 1913 prices.

With respect to most points we are now a great deal further along the road of inflation than France was at the end of the first world

(1) The relation of Government (1) The relation of Government debt to national wealth is now worse with us. France ended the war with a national debt of 147,-000,000,000 francs as against a prewar national wealth estimated at 300,000,000,000 gold francs. The debt at par was 49% of the national wealth. By 1926, when France pulled up, she had a public debt of 287,000,000,000 paper francs (internal), and 23,000,000,000 gold francs (external, including debts to United States and British Governments). (See Chase Economic ernments). (See Chase Economic Bulletin, February, 1927.) We had at the end of 1944, long before the \$230,000,000,000, as against a pre-war national wealth not exceeding \$387,000,000,0001. Our national debt Dec. 31, 1944, was thus 59.5% of the national wealth.

(2) The growth of money in circulation in the United States (2) The growth of money in circulation in the United States since 1939 is greater in percentage than the growth of money in circulation in France between June 1, 1914, and Aug. 29, 1918. France had about 9,000,000,000 francs in circulation, including about 3,000,000,000 francs of gold, on June 4, 1914. 2,000,000,000 francs of this gold was turned into the Bank of France in the three years that followed, and 1,000,000,000 francs of gold disappeared from circulation. By Aug. 29, 1918, French circulation, chiefly Bank of France notes, had risen roughly to 30,000,000,000 francs, an increase of 233%. This grew to 53,000,000,000 francs by June, 1926. In the United States money in circulation at the end of June, 1939, stood at \$7,000,000,000, and it now stands at \$26,000,000,000, it now stands at \$26,000,000,000 an increase of 271%.

(3) The percentage of national debt carried by the banks is far greater with us than with France. On Dec. 31, 1917, the French public debt stood at 123,000,000,000 francs, of which 12,200,000,000, or almost exactly 10%, was held by the Bank of France. But the commercial banks in France took yery mercial banks in France took very little of the public debt. The great banks, The Credit Lyonnais, the Comptoir d'Escompte and the Societe Generale, were badly shaken when the war broke out, and taken

T. This is the top figure suggested by the National Resources Committee in "The Structure of American Economy." June, 1939. Part I, pages 374-376. Their top "probable" figure is \$360,000,000,000 and their lower "probable" figure is \$350,000,000,000. I cannot find an estimate sponsored by the Department of Commerce later than 1922. when the figure was placed at \$321,000,000,000. Estimates both of national wealth and of national income, of course, involve assumptions, as well as facts, and the estimates for France in 1913 are, of course, less dependable than American estimates loday.

together, by the spring of 1918, had made virtually no expansion in their balance sheets. To some extent they had substituted government paper for commercial bills in their portfolios, but the amount was small. The only commercial bank that really expanded greatly in France during the last war was a bank of second rank, the Banque Nationale de Credit, which expanded a few hundred the Banque Nationale de Credit, which expanded a few hundred millions of francs, lending both to the Government and to business. At the beginning of 1918 I shoud estimate that not more than 12% of the public debt was in French banks, including both Bank of France and commercial banks. In the United States on the

In the United States, on the other hand, at the end of 1944, 42% of the whole interest bearing public debt was in the commercial banks and the Federal Reserve banks combined. Leaving out that part of the public debt held by Government agencies and trust funds, 46% of our interest bearing public debt was in the Federal public debt was in the Federal Reserve banks and the commer-cial banks. Finally, looking only at the marketable public debt; and omitting that part held by Gov-ernment agencies and trust funds, 58% was in the commercial banks and the Federal Reserve banks.

France had very little increase in demand deposits during the war and almost all was in the Bank of France itself, where there was an increase of about 2,712,-000,000 francs between June 4, 1914, and Aug. 29, 1918. Our commercial bank demand deposits ("adjusted") plus United States Government deposits stood on June 30, 1939, at \$28,147,000,000. On Dec. 31, 1944, the figure stood at \$87,500,000,000, an increase of 210%. We have, therefore, enormously outdone France in the increase of a circulating medium, Bank of France itself, where there crease of a circulating medium, money plus demand deposits, during the war.

(4) The Bank of France steadily resisted inflationary developments, urging upon the Treasury constantly that it should borrow as much as possible from the people, and its resistance had real results. Our own Federal Reserve System seems to have surrendered System seems to have surrendered its money market policy com-pletely to the borrowing policy of the Treasury.

But we must now take account of favorable factors in our situation as compared with the French

(1) We are now doing very much better than France did in

much better than France did in taxation.

(2) Although France had a strong gold position throughout, we have what appears to be a world dominating gold position. But the outside world is gaining gold from us, and we are now apparently net debtor to the world on current account. (See National City Bank, letter of April. 1945.)

(3) The relation of our national debt to our national income is more favorable by a good deal than it was in France. The estimate for national wealth in France in 1913 was 300,000,000,000 francs, and that for national income was

and that for national income

2. I cannot, with the data at hand as I write, give all my French figures as of the same dates. Figures showing the classification and distribution of our own public debt at the end of 1944 mill be round in the Federal Reserve Bulletin, March, 1945, pages 257-58.

and the French capitalized their real estate on a very low yield basis in 1913. The ratio of national wealth to national income in the United States was only 5½ to 1 in 1912. It was again 5½ to 1 in 1939 if we take the figure of \$387,000,000,000 given above for national wealth and compare it with the Department of Commerce estimate for national inmerce estimate for national income for 1939, which was \$71,-800,000,000.

We do not know what our national income will be in the post-war period and we are uncertain what our national debt will be.

Our Debt Largely Unfunded

In the last war we placed the debt with the people primarily and in long-term form. The Gov-ernment did spend for a few months funds borrowed on shortterm from the banks, and then issued great funding loans, in which bonds were placed with the people and out of which this short-term debt to the banks was paid down. The curve for short-term debt rose to peaks just be-fore each funding loan, and then moved sharply down again. The banks always held some of the Government debt. At the peak of the public debt they held about \$4,000,000,000, but this included nearly \$1,000,000,000 that they had held before the war to secure national bank notes and for other purposes. Of the war debt they held little more than \$3,000,000,-000 at the peak in direct owner-

ship, and much of this was short, and they had also another \$3,000,-000,000 or \$3,500,000,000 of loans secured by Government bonds which they had made to their customers to help them buy Government bonds.

The Federal Reserve banks owned almost no Government secured.

The Federal Reserve banks owned almost no Government securities during the last war, except for a few days at a time when each of the great Liberty Loans was being floated.

When the war was over, the debt was largely funded. The Treasury knew where it stood.

Our Treasury today cannot know where it will stand when the war is over. The debt is very badly distributed. Of the part held outside the banks, there is a great

outside the banks, there is a great part in the hands of corporations which are carrying depreciation reserves, maintenance reserves and liquid funds for reconversion purposes in government securities, but which must turn the government securities into cash to accomplish their purposes when the war is over.

A great deal is in the form of tax anticipation certificates which will come back to the Treasury instead of cash.

The so-called war savings bonds, gigantic in volume, are in effect demand deposits. The holders can get their money at any time. These bonds have been sold in a high percentage of cases with the argument that in buying with the argument that in buying them the purchaser is buying a post-war automobile or a post-war home or a post-war washing machine. The behavior of these bonds in the fiscal year 1945, as compared with the fiscal year 1944, is disquieting. The Treasury Daily Statement of April 20,

1945, shows that in the fiscal year 1945 to date the Treasury has sold only \$10,757,000,000 of these bonds, as against \$12,612,-000,000 in the corresponding period of the fiscal year 1944, It shows also that in the current fiscal year the Treasury has had to redeem \$3,357,000,000 of these bonds whereas in the preceding fiscal year the Treasury has had to redeem \$3,357,000,000 of these bonds, whereas in the preceding fiscal year it redeemed only \$1,774,000,000. The net intake of the Treasury on these bonds in the fiscal year 1945 is thus only \$7,400,000,000, whereas in the corresponding period of the preceding fiscal year it was nearly \$11,000,000,000. (Since March 1, 1945, these redemptions have included redemptions of matured savings bonds, but the tendencies indicated above were strongly in evidence before March 1.) The Treasury may have a very grave problem with these demand deposits when the war is over. It is unfunded debt. The total of these savings bonds was \$40,361,000,000 at the end of December, 1944, and the total of the Treasury tax and savings notes was \$9,843,000,000.

Of the marketable issues, a very dangerously high proportion is in

\$9,843,000,000.

Of the marketable issues, a very dangerously high proportion is in unfunded form. The total of marketable issues was \$162,843;-000,000 as of the end of December, 1944. We may break this up as follows: Treasury bills, certificates and Treasury notes, total \$69,868,000.000. To this we ought to add the Treasury bonds maturing within five years, which stood at \$7,824,000,000, making a grand total of short marketable stood at \$7,824,000,000, making a grand total of short marketable debt of \$77,692,000,000. To this we should add the war savings bonds and the tax and savings notes mentioned above, making

(Continued on page 1838)

HIS WORTH TO YOU

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YOUR BUSINESS PARTNER WHAT IF HE DIED?



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HOME OFFICE

NEWARK, NEW JERSEY

Inflation Control and Treasury's Borrowing Policy

(Continued from page 1837) \$127,906,000,000 of unfunded debt, out of a total of \$230,000,000,000 of interest bearing public debt,

Of funded debt in the form of bonds maturing after five years the total is \$83,761,000,000, but this funded debt of over five years' maturity is very badly held. \$31,672,000,000 of this is in the commercial banks. The part that is clearly well-placed con-sists of \$7,567,000,000 in the mutual savings banks, and \$17,303,-000,000 in the psyrance compa-nies, a total of \$24,870,000,000 in

these two classes of institutions.

The part that is held by individual investors is pathetically small. The great bulk of the public debt ought to be in the hands of the individual investors and it of the individual investors and it ought to be in funded long-term form. I cannot give the figure. It is part of \$21,321,000,000 listed under the category "other," which includes business corporations, states and municipalities, educational and charitable organizations, trust funds, investment banks, brokers, and investment companies, as well as individual investors. The rates of 2% on 10-year bonds, and 2½% on 20-year bonds are simply too low to attract investors. The man who knows how to look at a bond table can see to what prices they would go if the rate of interest should rise, and he can look back should rise, and he can look back over the history of government bond yields for the past 25 years and see yields exceeding 5%.

Diagnosis

The symptoms of pathology in the handling of the public debt are very clear in the figures given above. What is the explanation, what is the cause of the pathology? The explanation is to be found in the fantastically law rates of interest at which the low rates of interest at which the Treasury has been borrowing, made possible by the artificial manipulation of interest rates by the Federal Reserve System.

The lowest interest rates in all history, at a time when the world is destroying capital on a colos-sal scale, and when the Govern-ment of the United States is borrowing many tens of billions of dollars a year, are obviously an anomaly. Normal interest rates anomaly. Normal interest rates reflect supply and demand of capital, and rise as supply diminishes or as demand increases. There are four normal sources of capital: (1) consumer's thrift; (2) business thrift, particularly the building up of corporate surpluses out of profits; (3) direct capitalization, as where the farmer uses his spare time in building fences and barns or allows his flocks and herds to increase; (4) governmental thrift, where taxes exceed public expenditure and the government is paying down public debt.

New bank credit constitutes a

New bank credit constitutes a fifth fifth source of capital, safe enough when cautiously used and kept in reasonable relation to the growth of the four normal sources of capital and the growth of pro-duction in the country, but dan-gerous in the extreme when used to excess, as we saw in the period 1924-33.

Bank credit as a substitute for savings is particularly dangerous in war time. It has been the typical breeder of war and postwar inflation. The classical case is, of course, that where the government bears directly. eriment leans directly upon credit from the State bank of issue, as Germany and France both did in World War I. The great expansion of bank notes is obvious. But an expansion of bank deposits is in economic essence almost identical with an expan-sion of bank notes. Notes and Reposits alike are demand liabili-ites, are both media of exchange. Psychologically, the note issue is tudes were small—for the first of 1919.

In World War I, between April, 1917, and December 30, 1918, we expanded bank deposits by \$5-800,000,000 and bank loans and investment by \$7,000,000,000. In the period from June of 1922 to April 11, 1928, we expanded bank credit by \$13,500,000,000 in deposits and by \$14,500,000,000 in loans and investments. This generated our wild stock market and stock market crash of 1929 and stock market crash of 1929 and the resulting troubles of 1930-33. In the present war, as we have In the present war, as we have seen above, as a result of the Federal Reserve cheap money policy and the policy of the Treasury of borrowing at low rates of interest from the banks, we have generated an expansion of bank credit in the United Ctates of incredibly greater maga-States of incredibly greater magnitude and have increased our money in circulation from \$7,000,000,000 at the end of June, 1939, to \$26,000,000,000.

We had already very greatly overdone cheap money and bank expansion, and government security purchases by the banks, between March of 1933 and June of 1939. The Federal Reserve authorities had been greatly con-cerned and had raised the reserve requirements of the member banks in late 1936 and early 1937 to double the minimum reserve requirements. The Treasury was concerned and created a "sterilization" fund. But Presidential action compelled both the Treasury and the Federal Reserve authorities to retreat with respect to these matters in early 1938.

The Warning of the Federal Reserve Authorities

But the Federal Reserve thorities remained concerned. In a report to Congress on Jan. 1, 1941, there was a unanimous recommendation by the Board of Governors of the Federal Re-serve System, the Presidents of the 12 Federal Reserve banks and the 12 members of the Federal Advisory Council urging the Con-gress to forestall inflationary tendencies (1) by increasing the tendencies (1) by increasing the power of the Board of Governors to raise reserve requirements of the member banks; (2) by ending the President's power to devalue the currency; (3) by repealing the power to issue \$3 billion of greenbacks, and (4) by selling government securities directly to investors, rather than to the banks. The first and fourth of these recommendations looked directly toward firmer rates of interest. interest

Belatedly, and by action originating in Congress, recommendations (2) and (3) of this report have been adopted or appear to be in process of adoption, but nothing has been done about recommendations (1) and (4).
They seem to meet no favor in the Treasury. The Federal Reserve System, having made its protest, today lies supine. It imposes no brakes. It feeds the inflation of bank credit and cur-

Alleged Safety in New Techniques

We are told that new techniques have arisen which make the policy safe. I see very little in the way of new techniques and rather a very exaggerated use of old techniques.

We have first the purchases

old techniques.

We have, first, the purchases of government securities by the Federal Reserve banks, replen-ishing the reserves of the member banks. In the first world war, the Federal Reserve banks did this in connection with each ber of the four great Liberty Loans, reducing the strain in the money market for a few days, while the loans were being floated, and then

the more dangerous. We are, however, increasing both now on a colossal scale.

In World War I, between April, four days a few tens of millions, and in the Fourth Liberty Loan, something over two hundred millions—but only for a few days.

few days. In 1924 and 1927, the Federal Reserve banks bought several hundred millions of government securities and held them for a good many months, in each case generating a very dangerous ex-pansion of bank credit, and in the

second case precipitating almost unmanageable difficulties. In the present war, the Fed-eral Reserve banks have bought government securities in terms, not of tens of millions or of hundreds of millions, but of many billions. The figure stood at \$2,billions. The figure stood at \$2,-184,000,000 on Dec. 31, 1940, and at \$20,153,000,000 on April 18, 1945. This is no new technique, but the vast scale of its use makes one ponder.

Rediscount Rates Below the Market

In the last war, Federal Reserve Bank rediscount rates were placed below the market rates to facilitate war financing. But they followed the market up as the war went on. The New York Federal Reserve Bank rediscount rate was placed at 3% in 1917, moved up to $3\frac{1}{2}\%$ at the end of the year, and to 4% early in 1918, remaining, however, below mar-ket rates. At the present time, the Federal Reserve bank redis-count rate is ½% for advances secured by government obliga-tions maturing in one year or less. Here again there is no new techbut merely an extreme application of an old one.

Reducing Reserve Requirements

The Federal Reserve authorities now have power to reduce ties now have power to reduce the reserve requirements of the member banks and they have already done this as far as New York and Chicago banks are con-cerned. But in the last war we reduced member bank reserve requirements by Act of Congress in 1917—to levels that made us great trouble in the period of the

Unlimited Access to Federal Reserve Banks at 3%%

Finally, the Federal Reserve banks buy government bills without limit from the member banks at a fixed rate, % of 1% discount, with a repurchase agreement. This is designed to make the This member banks look upon govern-ment bills as ready cash and to make them feel that it is not necessary to carry excess re-serves. It may be granted that we have here a new technique. It is obviously a highly dangerous technique and a highly inflationary one.

Using Up Ammunition Rapidly

In the process of this immense bank expansion, we have used up ammunition very fast. The reserve ratio of the Federal Reserve banks to notes and deposits combined stood at 90% in April 1942, and at 47% on April 18 1945. Excess reserves, which stood at nearly \$7,000,000,000 in early 1941, dropped below \$1,000,-000,000 in 1941.

Inflation Policy in Last War

During our own participation in the last war, we held down inflation admirably. The great rise in prices in the last war came between December of 1915 and July of 1917, before our govern-ment war policy got into operation. ment war policy got into operation. Commodity prices at wholesale in July of 1917 stood at 187% of 1913 prices. Under our war policy these prices receded to 182% in October of 1917 and then rose slowly, under the extreme pressure of the war, to 207% in November of 1918, after which they receded again to 197% in March

Our war policy in the first world war with respect to prices contained four elements: (1) the sudden, very heavy application of war taxation; (2) great concern that bonds be sold to investors rather than to banks; (3) a firm money market to hold down bank expansion. Commercial paper rates in 1918 stood at 6%, though rates in 1918 stood at 6%, though the government borrowed more cheaply. Rates were made, however, which would attract investors and which could look reasonable over a long period of time. The First Liberty Loan was issued at 3½%, fully tax free, the Second Liberty Loan at 4½%, the Fourth Liberty Loan at 4¼%, the last three Liberty Loans being nartially tax exempt. 41/4%, the last three Liberty Loans being partially tax exempt. (4) We had a limited amount of (4) We had a limited amount of price fixing, applying to scarce essentials, and accompanied always by commodity control. We had retail price fixing only in the matter of scarce foods and fuels, and here not until after wholesale price fixing had been well established. We relied in the last war primarily on functional controls, rather than direct tional controls, rather than direct controls, as far as c prices were concerned. commodity

Primary Reliance on Price Fixing in World War II

In the present war, building up an immense inflationary flood by the expansion of bank credit and money in circulation, we have used as our primary device for controlling inflation, price fixing, covering virtually all wholesale and retail prices and industrial wages.

Price Fixing Must End with the War

It is quite clear that these price controls cannot be tolerated if we are to have a free post-war econ-Prices have work to Prices are to guide and direct the economic activities of the people. Prices are to tell them what to Prices must be free to tell the truth.

Something may be said for the temporary continuation of price fixing, with rationing, in the case of very scarce essential commodi-ties, but each case should be scrutinized carefully. The genscrutinized carefully. The general idea that price fixing should be continued after the war for the purpose of preventing inflation must be absolutely vetoed. Inflation must be controlled, if it is controlled, by budget balancing and control of money and credit.

Eliminate Inflationary Money and Credit Policies Now

The existing low interest rates are made possible only by the substitution of bank credit for investors' savings. If bank expansion were to stop today, interest rates would forthwith rise. If, on the other hand, bank expansion is not stopped, we shall have a tremendous inflation. And then we shall see an immense then we shall see all immelse rise of interest rates, the inevi-table accompaniment of a great inflation. The choice is not be-tween continuing low interest rates and not continuing. The choice is rather between a moderate and manageable reversal of policy in the near future and an involuntary submission to very high interest rates at a later date.

Prescription: Fund the Public Debt Now and Reduce Money and Deposits Now

I believe we should act promptly while the war is still on, while we still have controlled commodity markets, and while we still have wartime motives to work with in finding the second controlled. with in funding the government with, in funding the government debt into long-term bonds at rates of interest which will attract investors' money. The vast scale of the funding operations required means that we should have to supplement the attractive yield with effective bond-selling, vember of 1918, after which they including neighborhood pressure, receded again to 197% in March I believe that if we act promptly, these rates can be intermediate

between those we paid in the last war and those we are now paying.

We now have outstanding, as a We now have outstanding, as a result of the previous abuse of bank credit, an immense volume of idle money in circulation and an immense volume of idle deposits in the banks. If these grew active, we should have an inflation that would blow us skyhigh. The thing to do is to pull them in and get them invested in government bonds before they begin to work actively in other begin to work actively in other fields.

I cannot, of course, set exact figures at which investors will take long-term government bonds. Only the market can do that, But this idle cash is a market factor of first importance, tend-ing to hold interest rates down. If think the thing to do is to increase the interest rates on new government securities forthwith to levels at which investors' money will be forthcoming. This should be accompanied by a sale of government securities by the Federal Reserve banks to tighten the money market corre-

Existing Excess of Money and Credit Tend to Hold Down Interest Rates for Refunding Purposes

Now a rise in interest rates would set in motion powerful counterforces which would tend to hold the interest rates down. With rising interest rates, savings banks and other banks would find it worth-while to offer attractive rates on savings accounts to the people, pulling in actual cash from circulation. And commercial banks would be interested in reducing or even dispensing with service charges on demand the circumstant and provide pulling a deposits, which would pull in a great deal of money from circulation. But this money coming in from circulation would ease from circulation would ease the bank reserve situation and tend to hold interest rates down. Moreover, investors, attracted by higher yields on government bonds, would make a market for very many of the government securities now held by the banks. As the banks sold these securities to investors investors would pay to investors, investors would pay for them by checking against de-posit accounts, canceling a great deal of the inflated deposits and once more easing the money mar-ket situation by reduceng the reserve requirements of the banks.3

Protecting the Banks When Government Bond Yields Rise

There are two main objections to the policy which I propose:

(1) that it would involve dangers to the capital structures of those banks now too heavily loaded with long-term government securities; (2) that it would increase the tax money required to meet the debt service on the Government's 'already enormous debt.

Let me say with respect to both these points that the problems grow progressively worse the longer we refrain from facing

To protect the banks in this change of policy. I have proposed that the banks holding long, term government bonds be allowed to exchange them for new issues at the higher rates of interest, at a discount of, say, 2% as compared with cash subscribers, leaving them with some loss but not with losses that would ruin their depositors. The FDIC, whose solvency and liquidity are of highest importance, should have the same protection as the banks. Both banks and FDIC should be expected to take shorter maturities in making these exchanges. I have seen no other proposal for dealing with this that looks at all adequate. It cannot be solved by allowing To protect the banks in this It cannot be solved by allowing

73. For an analogous situation, see my account of the money market in 1928. In The Chase Economic Bulletin, "Brokers Loans and Bank Credit," Oct. 31, 1928.

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the banks to carry these bonds at par on their books, regardless of the market. Informed depositors would simply withdraw their banks, and their ability to of the situation. would simply withdraw their funds from banks woose capital structures were impaired and put them into banks whose holdings of government securities were predominantly short-term. Nor do you solve any inflation prob-lem by forcing the Federal Re-serve banks to take long-term bonds from the member banks at

The present artificiality in the interest structure runs far beyond the regulation of member bank reserves and short-term money rates. The Federal Reserve authorities rates. The Federal Reserve authorities are also undertaking to regulate the long-term interest rates, by buying and selling government securities of different maturities. (For an exposition of Federal Reserve policy with respect to this matter, see the Federal Reserve Bulletin of July, 1943, pages 590-91.) A good many bankers have come to expect a sure market for their long-term government bonds in the pect a sure market for their long-term government bonds in the Federal Reserve banks them-selves. This is an ominous de-lusion. The holders of the ultimate reserves of the country must not be investment institutions and must not be looked to, to supply long-term capital or to manipulate the bond market. When the Federal Reserve authorities are finally driven to thorities are finally driven to tighten the money market in resisting a great inflation, they will not be able to protect the prices of long-term government bonds without feeding the very inflation they are trying to control.

The Interest Burden of the Public Debt

With respect to the interest burden on the government debt, let me say that this problem becomes progressively worse if we delay it. We can now fund the government debt at moderate rates of interest, as above indicated. If, however, we wait for inflation to come, interest rates will rise rapidly and the Secretary of the Treasury will sweat blood as Treasury bills and certificates fall due, as people cash in their war savings bonds, and as he has to borrow money on the With respect to the interest as he has to borrow money on the rapidly rising money market—or else print, which would not help the inflation.

Drastic Federal Budget Economies Essential

The notion that we can permanently hold the debt service on the public debt to a 2% rate is fantastic. The notion that we can fantastic. The notion that we can permanently service three hundred billions of public debt with six billions of interest is fantastic. We had best face the facts now. The facts are that our post-war budget is going to be very difficult to balance and that we face the necessity for drastic economies in the post-war period. The facts are that proposals for expenditures panding Federal expenditures after the war must be fought all along the line. We do not create social security when we endanger the dollar in which social security payments are to be made.

Artificialities Built on Artificialities

I cannot pretend to know with confidence what is going on in the minds of men inside the government who, seeing the dangers, are still afraid to face them. But I have heard some fantastic suggestions.

One of them looks to a compulsory holding by the member banks of fixed quotas of non-negotiable government securities as a permanent matter, at nom-inal rates of interest with how-ever, the understanding that in times of necessity they may turn these over to the Federal Reserv banks for cash. Now always in the past our government securities in the commercial banks have been looked upon as second-

make adequate loans to commer-cial borrowers and their ability to meet depositors' withdrawals, have always been greatly strengthened by their holdings of government by their holdings of government securities. To freeze government securities in the banks is to freeze the banks. Moreover, the volume of bank deposits, which ought to be related to the needs of commerce, would then tend to be frozen, governed not by the needs of commerce, but by the Treasury's needs. Money market control with respect to the needs of trade and with respect to the of trade and with respect to the needs of checking inflationary tendencies would disappear under a system like this. Again the Federal Reserve banks, trying to tighten up and prevent the inflation from becoming a ruingflation from becoming a ruinous thing, would find themselves compelled to expand their credit as they took over government bonds from hard-pressed banks. No such artificiality will help.

I have last Autumn from a man in the government's financial system, whom I do not wish to identify as he was talking with me privately, an alarming suggestion which may or may not represent a considerable body of inside thought. He told me that we had learned many things, which economists had previously not known, which made it safe to proceed along lines that we had proceed along lines that we had formerly regarded as unorthodox. He said that two years ago he had been afraid of the great expansion of bank deposits and money in circulation which the Treasury's borrowing involved. and afraid of the unfunded debt, but that today he had no fear at all of inflation. It will be perfectly possible with modern techniques to control the interest rates and to control inflationary tendencies. When I pressed him regarding the methods, he said that the Nazi had developed some very good technical economic ideas. I said, "Yes, if you have enough regimentation, if you have control of all comedities and all wises if all commodities and all prices, if you have control of every man's pocketbook and every man's bank balance, if you have control of the farmer's consumption of his own production, if you can control all exports and imports and foreign exchange transactions, and if you have a sufficiently powerful and efficient Gestano, you can take great lib destapo, you can take great liberties with money and credit."
He said that the trouble with the Nazi is that they do not have consciences.

I may add, however, that with-out techniques of the Nazi type described in the preceding para-graph, it is not possible to continue our present course and avoid a ruinous inflation.

I know at least one man in the I know at least one man in the Federal Reserve system who was reconciled to inflation nearly two years ago, who held that inflation always follows a great war, and that it is necessary to cover up the great war debt. To this man I would say, first, that I do not believe it. We can, by sound measures taken promptly, protect our currency from further tect our currency from further debasement, and protect our price system from ruinous convulsive movements. Moreover, the accomplishment of the measures which I propose would still leave far more inflationary material lying around than I like to see. For one thing, we have not yet felt the main impact of the 40% cut in the gold content of our dollar in 1934 and we have not yet seen the consequences upon the world of the rise of annual world gold production from

Inflation is not something that you can turn off and on like water at a faucet. Inflation and deflation are not simple terms and they are not simple opposites. There is no financial Westinghouse air brake by means of which an inflationary movement can be smoothly tapered off and brought gently to an end without a shock. Rather, inflationary forces engendered in defiance of sound financial policy may seem harmless for a long time and then suddenly break forth into great violence. violence.

It is far better for the Federal Reserve System to act now when moderate restraining movements will accomplish a great deal, than to wait until the great inflation-ary movement is under way and when even violent methods of restraint may have limited efficacy. And it is far better for the Treasury to face the financial facts regarding the public debt service now, while it is possible to fund the debt on moderate terms, than to wait to face the violently rising interest rates which a real inflation always creates.

Editor's Note: - The above memorandum, under instructions from Dr. Anderson, was submitted as a confidential document to Treasury and Federal Reserve authorities and to other important officials in Washington by the officials in Washington by the Economists' National Committee on Monetary Policy of which Dr. Anderson is a member.

Twenty-two members of Committee have expressed a desire to associate themselves with Dr. Anderson in his analysis and recommendations and two other members endorse his views with reservations. Those endorsing reservations. Those en without qualification are: Charles C. Arbuthnot endorsing

D. W. Ellsworth William D. Ennis Fred R. Fairchild Charles C. Fichtner Roy L. Garis E. C. Harwood William F. Hauhart John Thom Holdsworth Philipp H. Lohman Roy W. McDonald James D. Magee Clyde W. Phelps Olin Glenn Saxon Carlton A. Shively Alvin S. Tostlebe Rufus S. Tucker Russell Weisman Nathaniel R. Whitney Max Winkler Ivan Wright

The two members who endorse the paper with reservations are Frederick A. Bradford Hudson B. Hastings

It is to be noted, however, that neither the memorandum nor the endorsements may be assumed to represent the views of other members of the Committee and the memorandum, though released by the Committee's Secretary Dr. the Committee's Secretary, Dr Walter E. Spahr, is not a Committee document.

Dr. Anderson was Assistant Professor of Economics at Harvard University (1913-1918), Economist of the National Bank of Commerce in New York (1918-1920) and of the Chase National Bank (1920-1939). He is the author of "The Value of Money" (published in 1917 and reissued in 1936); "The Effects of the War on Money, Credit and Banking in France and the United States," published by the Carnegie Endownment for International Peace, 1919; and the issues of the "Chase Economic Bulletin" (1920-1937), "Economic Bulletin" \$430,000,000 in old gold dollars in issued by the Capital Research 1930 to roughly three times that Company, Los Angeles, Calif.,

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.

BANGOR, ME.—Harvey G.
Royce has rejoined the staff of
Hornblower & Weeks, 2 State
Street, after serving in the U. S.
NAVY.

ELYRIA, O. — William H.
Thomas has been added to the staff of P. R. Smith & Co., Elyria Savings Bank Building.

(Special to THE FINANCIAL CHRO FRESNO, CALIF.—Robert E. Ross is with Blyth & Co., Inc., Rowell Building.

ecial to THE FINANCIAL CHRONICLEY INDIANAPOLIS, IND.—Clarence A. Auble and Russell B. Dickson are with Paul H. Davis & Co., Merchants Bank Building. Mr. Auble was previously with Mr. Auble was previously with Thomson & McKinnon; Mr. Dickson was with Otis & Co.

(Special to The Financial Chronicia)

INDIANAPOLIS, IND.—Raymond M. Neal is with Merrill Lynch, Pierce, Fenner & Beanc, Circle Tower.

(Special to THE FINANCIAL CHRONICLE) LOS ANGELES, CALIF.— Herschel G. Denison has joined the staff of Barbour, Smith & Co., 210 West 7th Street.

(Special to THE FINANCIAL CHRONICLE) LOS ANGELES, CALIF.— Frederick C. Soder has become connected with G. Brashears & Co., 510 South Spring Street. Mr. Soder was previously with Boston Commonwealth Corp. and Fewel Marache & Co.

cial to THE FINANCIAL CH

LOS ANGELES, CALIF.—Har-old F. Brown is now associated with Buckley Brothers, 530 West 6th Street. Mr. Brown was for-merly with First California Com-

ial to THE FINANCIAL CHE LOS ANGELES, CALIF.—Roy
A. Teshera has become affiliated

with Carter H. Corbrey & Co.,

(Special to THE FINANCIAL CHRONICLE) LOS ANGELES, CALIF.—John D. Fox, previously with Walston, Hoffman & Goodwin, is now with Fairman & Co., 650 South Spring

ecial to THE FINANCIAL CHRONICLE) LOS ANGELES, CALIF. — Ansgar M. Christensen, Donald M. Kepler and Clarence Knudsen are with First California Company, 300 Montgomery Street.

cial to THE FINANCIAL CHRO LOS ANGELES, CALIF.— Luther R. Holley and Peter Mayer are connected with Hill Richards & Co., 621 South Spring Street. Mr. Holley was previously with Barbour, Smith & Co.; Mr. Mayer was with District Bond Company.

(Special to THE FINANCIAL CHR LOS ANGELES, CALIF.—
Reuben Francis Ruth, formerly
with Witherspoon & Company,
Inc., has joined the staff of Hope
& Co., San Diego Trust & Savings Building, San Diego, Calif.

(Special to THE FINANCIAL CHRONICE) LOS ANGELES, CALIF.—Maxwell N. Stabeck is with Kerr & Bell, 629 South Spring Street.

cial to THE FINANCIAL CHE LOS ANGELES, CALIF.—Dan S. Secord is with Lester & Co., 621 South Spring Street. He was previously with Hill Richards &

(Special to THE FINANCIAL CHRO LOS ANGELES, CALIF.—Mar-jorie E. C. Hensel, John D. Mat-thews and Louis H. Romey are now associated with Livingstone & Co., 639 South Spring Street.

(Special to THE FINANCIAL CHRON LOS ANGELES, CALIF.

Bruce Card, formerly with Russell M. Anderson, has been added to the staff of Maleney & Co., 650
South Spring Street.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

PURCHASE OFFER TO THE HOLDERS OF

\$9,756,000 New Amsterdam Gas Company First Consolidated Mortgage Five Per Cent. Gold Bonds due January 1, 1948

\$15,000,000 The New York Gas and Electric Light, Heat and Power Company First Mortgage Five Per Cent. Gold Bonds due December 1, 1948

\$20,866,000 The New York Gas and Electric Light, Heat and Power Company Purchase Money Gold Pour Per Cent. Bonds due February 1, 1949

Consolidated Edison Company of New York, Inc., successor to New Amsterdam Gas ompany and The New York Gas and Electric Light, Heat and Power Company is issuers of the aforesaid bonds, is desirous of acquiring any and all of said onds for surrender and cancellation and offers to pay for them as follows:

The New York Gas and Electric Light, Heat and Power Company, First Mortgage Five Per Cent. Gold Bonds, due December 1, 1948

The New York Gas and Electric Light, Heat and Power Company, Purchase Money Gold Four Per Cent. Bonds, due February 1, 1949

plus accrued interest to November 1, 1945, these prices being equivalent in each of to a yield basis of one-half of one per cent to maturity.

Holders of said bonds accepting this offer should surrender them to City Bank. Farmers Trust Company, 22 William Street, New York 5, New York, on or after October 25, 1945, and payment therefor with interest to November 1, 1945, will be made upon delivery. In the case of coupon bonds, all coupons payable on December 1, 1945, or subsequently, should be attached. Registered bonds should be accompanied by appropriate assignment.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Dated: October 4, 1945



Treasur

Mutual Funds

"Important Dollars"

The October report of the George Putnam Fund is a fine ex-ole of having a good story to tell—and telling it well. This fund ample of having a good story to tell—and telling it well. "is designed for your investment money, not for speculative money. The primary objective is to provide individuals and institutions with a good investment."

This primary objective of the Fund is stressed throughout the

"good investment" for "the care-ful investor who seeks a living return, reasonable capital security and protection against inflation." It is recommended for "the farmer who has sold his farm at a good price and wants to put his money to work without fear of losing it." It is recommended for "the "the it." It is recommended for "the individual who is setting up a trust fund for his children." It is recommended "for foundations and institutions."

In summary, it is recommended for "important money"—money that one doesn't want to speculate needs a larger return than the banks are paying.

At the end of September the "common stock portion" of the Fund accounted for 42% of total assets, with 27% invested in the "dependable fixed income portion" and 31% in the "investment back-log portion." During the third quarter, the policy in effect since the first of the year of gradually reducing the common stock por-tion was continued.

In a current release, the Parker Corporation reports the net changes in the portfolio of Incorchanges in the portfolio of Incorporated Investors during the three months ended Sept. 30. In addition to United States Treasury Bonds, three securities—Mohawk Carpet: Mills, Pan American Airways Warrants and Tubize Rayon—were added. Holdings were increased in 11 issues, machinery stocks and reorganized rail bonds. Holdings of 15 issues were decreased or eliminated entirely with the emphasis in this category. with the emphasis in this categor the petroleum stocks and gold mining shares.

State Street Investment Corp.

The report of State Street In-Corp. for the westment Corp. for the nine months ended Sept. 30, 1945 shows net assets of \$66,017,850, equivalent to a net asset value of \$53.49 per share. President Paul C. per share. President Paul C. Cabot advises stockholders that it is the intention of the Fund to "make a capital distribution of approximately all the net gains from the sale of securities" in each year. Although no attempt is made to estimate net capital gains available for the full year 1945, realized gains from the sale of securities for the first nine months of this year amounted to approximately \$3.00 per share.

The Knickerbocker

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Steel Shares

Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS GROUP, INCORPORATED 63 WALL ST. . NEW YORK 5, N. Y

"For the first time in 16 years writes Selected Investments Co.
"the House Ways and Means Committee has recommended broad tax reduction. The importance of this development to investors can

Another memo from Selected Investments Co. discusses the investment of new trust money by leading New York City trust institutions. The magazine "Trusts and Estates," recently approached the investment officers of such the investment officers of such institutions with the following question: "How are you investing new fully discretionary, sole trustee accounts of \$200,000 or less, without special consideration of the beneficiary's other property or income tax position?"

A fairly uniform pattern of discrete accounts of the second control of th

A fairly uniform pattern of diversification was shown with the common stock portion ranging from 15% to 40% of the total among the nine leading trust institutions covered by the survey.

Tax Beneficiaries

Distributors Group devotes two current issues of Investment News to pointing out the substantial benefits which will accrue to many leading companies as a re-sult of recent and prospective tax changes. One memo reports that the steel and railroad companies will get the biggest tax refunds under the speeded-up amortiza-tion which became effective with President Truman's proclamation of Sept. 29.

For companies which have paid large excess profits taxes during the war, the indicated advantages of speeded-up amortization are so great that no other course than to accept the refunds can be justified. To take two examples, it is indicated that U. S. Steel may collect something between \$50 and \$60 million and Bethlehem Steel around \$40 million. Many of the leading railroads are in a similarly favorable position.

One of the NATIONAL SECURITIES SERIES PREFERRED STOCK Shares

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NATIONAL SECURITIES & RESEARCH CORPORATION

120 BROADWAY New York 5, N. Y. The second memo illustrates what elimination of the excess profits tax means to investors. The average earnings per characteristics are characteristics. The average earnings per share of 55 leading common stocks are shown for 1944 and compared with what these same stocks would have earned with the excess profthat earned with the excess profits tax eliminated. The figures are \$4.46 per share of actual earnings as against \$10.55 per share had there been no excess profits tax in effect last year.

Another interesting angle is rein that the earnings before taxes for these companies could decline 50% and, with the excess profits tax removed, they could still earn more than they did last

"Elimination of the excess profits tax will mean that in-vestors will share more fully in corporate earnings than was considered feasible during the war years. With an era of un-equalled business volume fore-cast for American industry, this is another important reason why selected stock groups are better investments than cash today."

Whither the Stock Market?

The current issue of National Securities & Research Corp.'s weekly service, Investment Timing, contains a discussion of the "long term forces affecting the stock market." This discussion takes the interesting viewpoint that such factors as inflation, huge savings in the hands of the public and lower purchasing power of the dollar are not the real, fundamental forces pushing prices up.

The two outstanding forces, it is stated, are, first, the Federal Reserve System supplying the funds to create demand for stocks and, second, the capital gains tax which restricts the supply of stocks. It is pointed out that these two basic forces for higher securbut they are present with multiplied force.

"A time to be fearful about the stock market will be when either of these fundamentals is changed so that demand is greatly reduced or the supply of stocks is broadly increased. No such conditions appear likely in the foreseeable future."

More About Earnings and Taxes

Keystone Co.'s current Keynotes shows the 1944 average per-share earnings for the 40 stocks currently held in Keystone Common Stock Fund "S-3" as compared with what those earnings would have been with the excess profits tax eliminated.

These 40 stocks earned on average \$17.89 before taxes last year.
After EPT their average net per
share was \$4.07. With the EPT
eliminated they would have
earned an estimated \$10.18 per

ises to hold at high levels for several years, many corpora-tions should be able to exceed their wartime earnings before taxes. In instances where gross

prices are not only present ay as they were in 1928-1929,

"Since business activity prom-

Keystone Custodian Funds Prospectus may be obtained from your local investment dealer or The Keystone Company of Boston 50 Congress Street, Boston 9, Mass.

earnings are lower, the elimination of the excess profits tax could still leave a larger net profit for shareholders."

Railroad Stocks

A new memo from Hugh W Long & Co. on the Railroad Industry Series of New York Stocks shows that:

- 1. Industrial production creates rail revenues and industrial production promises to be much higher than in prewar
- 2. Rail stocks lag behind the market, with the Dow-Jones Rail Average down 6% from June 26, compared with an advance of 8% for the Dow-Jones Industrials from that

"Today's prices for railroad issues are low in relation to forecasts of industrial production and by comparison with the market for industrial shares.

Dollar Averaging With Affiliated

Lord, Abbett has brought up to date the interesting tabulation showing the results of dollar averaging with Affiliated Fund over a period which now covers $5\frac{1}{2}$ years. Had an investor started at the beginning of that period to invest \$100 in Affiliated Fund each month, he would today have an investment with a total value at offering price of \$15,715, com-pared with a total amount in-vested of only \$6,600.

This sponsor's current Invest-ment Bulletin on Union Preferred Stock Fund points to the speed-up in utility reorganizations and the likelihood that this development will prove favorable to the holders of Union Preferred Stock Fund. At present 10 of the 28 issues in this fund's portfolio, rep-resenting 40% of its assets, are invested in utility funds.

Personal Notes

The writer of this column was happy to receive the announce-ment that Mr. Paul Bartholet has been elected Executive Vice-President of Hugh W. Long & Co. and of the funds and management organization under the Long Company sponsorship. Mr. Bartholet. pany sponsorship. Mr. Bartholet, as Executive Director of the National Association of Investment Companies, established a record for effective and constructive work in the Mutual Fund field and our cordial best wishes are extended to him in his new position.

Walter Scott of Lord, Abbett announces that Lt. Col. Robert H. Noland, who has just finished a three-year stretch in the Army Air Corp., is returning to Lord, Abbett as Eastern States represen-tative. At the same time it was announced that John L. Schmitt has been promoted to the office of Eastern Sales Manager for Lord

Mutual Fund Literature

National Securities & Research National Securities & Research Corp.—Revised portfolio folder on National Stock Series. . . . Lord, Abbett — Investment Bulletin on American Business Shares showing portfolio breakdown on a \$10,000 investment. . . Distributors Group — An issue of Aviation News on department store sales of airplanes and stressing "the World in the Board of the State of Aviation News on department store sales of airplanes and stressing "the World". airplanes and stressing "the World of Tomorrow will be an airminded world!"; current issue of Steel News and memo on steel backlogs; also revised memo with charts showing the position of steel stocks in the current market; current Investment Report on Group Securities, Inc. listing those groups considered most attractive for investment; revised portfolio folders on Railroad Bond Shares, General Bond Shares and Low General Bond Shares and Low Priced Shares. . . Selected In-vestments Co.—Portfolio memorandum showing holdings of Selected American Shares as of Sept. 30.

Text of Bill Calling For Nationalization Of Bank of England

(Continued from page 1834)

SECOND SCHEDULE Supplemental Provisions as to Court of Directors

- The term of office of the Governor and of the Deputy Governor shall be five years.
- 2. The term of office of the directors shall be four years, and four of them shall retire each year on the anniversary of the appointed day:

Provided that, of the directors appointed to take office on the appointed day, four shall be appointed to hold office until the first anniversary of that day and shall then retire, four shall be appointed to hold office until the second anniversary of that day and shall then retire, and four shall be appointed to hold office until the third anniversary of that day and shall then retire.

- 3. A person who has held the office of Governor, Deputy Governor or director shall be eligible for re-appointment to that office or for appointment to any other of those offices.
- 4. A person shall be disquali-fied for holding the office of Gov-ernor, Deputy Governor or direc-
- (a) he is a Member of the Commons House of Parliament or a person holding an office of profit under the Crown; or
- (b) he is an alien within the meaning of the British Nationality and Status of Aliens Acts 1914 to 1943: or
- (c) he is subject to any disqualification which may be imposed by the charter of the Bank; and a person shall vacate any such office if he becomes subject to any such disqualification.
- 5. Where the office of a director is vacated under the foregoing paragraph, or by death or resignation, a person appointed to fill the vacancy shall hold office until the time when the person in whose place he was appointed would regularly have retired, and shall then retire.
- 6. Not more than four of the directors may be employed to give their exclusive services, to the Bank.
 7. The following provisions
- shall have effect as respects any meeting of the court of directors held on or after the appointed day but before a charter making provision for the matters dealt with by this paragraph has been granted and accepted under this
- (a) the meeting may be called by the Governor or Deputy Gov-earnor in such manner as he may determine:
- (b) a quorum shall consist of not less than eight directors to-gether with the Governor or Deputy Governor;
- (c) when a quorum is present the the court may act notwithstand-ing that a vacancy exists among the members of the court.

Boston Stock Exchange Gelebrates 111 Years

BOSTON, MASS.—The Boston Stock Exchange marked its 111th birthday on October 13. The Exchange, which now has a membership of 122 brokers and occupies offices on the first and second floors at 53 State Street, was founded in 1834 by 13 men in a one-room office on State Street.

There are 62 member firms, many of which are also members of other exchanges. Eight of these member firms are incorporated.

The One Unused Tool of Management

(Continued from page 1831)

Now there isn't anything new in all this, but it's the kind of thing we easily forgot in the troublesome years of the last decade. During that decade the men of management have been prisoners of war in an occupied prisoners of war in an occupied territory. Maybe you didn't think territory. Maybe you didn't think of it in that way, but in your direct way you put it that "business was in the doghouse." I choose the "prisoner of war" anology for the Federal Government was really occupying your territory, the territory that had territory, the territory that had been yours since the War of In-dependence and the founding of Constitution. the territory where you had done a better job than had been done anywhere else in the world. Apparently the worst that can

be truthfully said of you as a class is that you didn't tell the world what you were doing and how you

served the nation's interests, the good of all the people. Your very success in profits and efficiency, your meeting of the world's wants at lower and still lower prices, made you prosperous and a natural target for abuse. The natural target for abuse. The country doesn't know how little it pays for good brains and executive capacity. It doesn't know that corporate profits and large executive salaries come from the last wee bit of efficiency in management, after a company passes the profit deadline where ex-penses are covered and the last wee bit of added efficiency in lowering costs or increasing vol-ume produces the profit. You were the scapegoat because busiwasn't understood and you of management personified business. The world assumed you were getting more than your share of what you produced, and were accused as a hard, selfish bunch of exploiters. You had been so sure of your own purposes that your pride was hurt; you didn't tell your side and, in your uian t tell your side and, in your silence, you almost plead guilty to the charges, for you were expected to fight if you felt you were right. Some few of you had a right to think that you were not being accused but gradually pearly all of your had. mearly all of you began to wonder whether there might not be something wrong about a profit, and you began to wonder why you kept on, for you didn't want to seem to fight your Government. Down in your heart you felt your motives were questioned and you would not be believed if you re-In sullenness, you began attacking the men who attacked you, instead of attacking the ideas those men. That platform gained you no public support, for it didn't get to the roots of the trouble. You knew you deserved the support of the consumers of this country because they were giving it to you and you forgot that everyone was in a pressure group which thought of its mem-bers only as producers. You saw one pressure group after another gain some advantage for itself against all the consumers, and you foresaw the situation where every element of our population would be forced to organize its own pressure group in pure self de-ferse. You saw group consciousness developing and group hatreds

You must have seen—when you stopped to think about it—that there was no logic in such a situa-You had learned that the tion. You had learned that the well-being of your employees, your stockholders and yourselves depended upon the consuming public and their willingness to buy your output. These consumers were the bosses of all of you. were going to work for them at all. They were not going to bother with any details. By the most democratic process in the world—a secret ballot every day—they voted, by giving or with-holding their patronage, upon how well the producers were going to live and, in fact, upon whether they were going to live at all as producers. These consumers had told many concerns by this same told many concerns by this same democratic process that they were no longer needed, as they weren't giving the consumers what the consumers wanted at the price they were willing to pay. These consumers are an impersonal lot. consumers are an impersonal lot. They don't argue with you and try to reform you. They tell you that they will not hire you with any guarantee of price or volume, that you set yourself up in business with the idea that you will find out what they want, offer it to them at a fair price, and at that time they will exercise a free choice. They will buy what they like, and no more. They may be like, and no more. They may be induced to buy, but they cannot be forced to buy. They see the increases piling up in the costs of goods they need. They will soon see that if government starts paygoods, it does the consumers no good to stop buying, if they are to be called on to pay taxes to keep producers in idleness. If the elements in producing goods are going to insist upon pricing themselves out of the market the angelors are going to the market the sentence of the producing themselves out of the market the sentence of the producing themselves out of the market the sentence of the producing themselves out of the market the sentence of the producing themselves out of the market the sentence of the producing themselves out of the market the sentence of the producing themselves out of the producing themselves out of the producing themselves out of the producing goods, it does the consumers no good to stop buying, if they are to be called the producing goods are good to stop buying, if they are to be called on to pay taxes to be called on the producing goods. selves out of the market, the consumer as soon as he understands will not pay taxes to support these producers in idleness. These consumers are the great unorganized pressure group; they have the most votes; they will insist the most votes, they will insist the producers serve the whole people and not any selfish interests in a production group. Therein lies the hope that Congress will concern itself with the consumers, for any action taken in their long-range interest serves, the whole range interest serves the whole nation and not merely a part of it.

Dangers of Planned Economy

It is your responsibility if you fail to offer these consumers what they want at the price they are willing to pay. One need only look at the long list of business failures among big and small concerns and the comparatively few cerns and the comparatively few business successes that last a gen-eration to know how impersonal the consumers are. They have eration to know how impersonal the consumers are. They have one objective and they carry it out—they demand what they want at any time at the price they are willing to pay. If you can meet this demand you should prosper, but they are utterly indifferent if you fail. There isn't any virtue in business in preaching that it serves the consumer. It has no choice but to do just that if !t wishes to live. There is always someone with either capability or wishes to live. There is always someone with either capability or with enthusiasm plus money who will crowd out the producer who doesn't truly serve the consumer. The concern with capability may succeed and the one with money and enthusiasm may lose both its enthusiasm and its money and the consumer will go on his way unconcerned. He thinks the risks and the rewards are fair. That's concerned. He filinks the risks and the rewards are fair. That's the American way of life—equal opportunity for all, personal responsibility, no coercion by anyone, no favors by government, the free enterprise system as we have come to refer to it, and it will come to refer to it, and it will stand or our way of life will go under just as others have gone before. We don't know any better way of life, though in the last decade we have seen many steps taken in the direction of a planned economy and State so-cialism. The argument still goes on, and we are asked to accept for ourselves what has been tried

(Continued from page 1831) division of the salaries, wages and their own economic and social demands grew fast for the output of the harmonious company whose harmony was itself a great factor in its efficiency.

"Business in the Doghouse" division of the salaries, wages and their own economic and social profits among the producers. They could lay that difficult war to destroy this same idea in problem aside, because they could say every day whether all of you were going to work for them at all. They were not going to be rooted out throughout the be rooted out throughout the world? Doesn't it seem a strange thing that we should say that idea is worth a trial by us, yet that ise the purpose being advocated in much of the legislation before Congress. Such legislation is frankly aimed at progress toward State socialism and a strong Federal Government, something absorbed in America since its fire. horred in America since its first

colony was founded.

I don't believe America will go knowingly to State socialism. It might conceivably slip into it un-wittingly, or go into it a step at a time, but the pressure to do so will not arise from the people generally on their own initiative. It will come from those who will make promises of its benefits to the sake of winning votes

Unhappily, State socialism lends itself as a great political tool for the demagogue who can gain votes by promising the benefit of State socialism when he isn't going to be held to account for the longrange effects of his promises.

Promises of immediate benefits will always be more powerful than distant dangers and far removed risks. The man who does man distant dangers and far removed risks. The man who does not have to count the costs of carrying out these promises can marshal a political force which will always be very difficult to overcome. There isn't anything glamorous about balanced budgets, sound money policies, the competitive system, a large volume of production, hard work, or selling one's services at the price the buyer is willing to pay—certhe buyer is willing to pay—cer-tainly nothing so glamorous as the promise to provide jobs for all. Could it be that this idea—that the Government will guarantee jobs for all who want them—came directly from Nicolay Lenin, who pointed out many years ago that the way to destroy our type of self-government would be to creself-government would be to create a public belief that government could permanently supply all of the people with jobs? Lenin's purpose wasn't my purpose, for he pointed out that the certain result would be such a clamor for jobs that no free g ernment could withstand the mand and remain financially stable. And Lenin probably didn't see how soft a government could be regarding pay rates, for of course it does no good for the State to guarantee a man a job unless it sets rates of pay and the kind of a job that will satisfy him

More Employers Means More Employment

Let us look at this problem of wide employment. It is my belief that the way to get more employment is to proceed to get more employers by inducing them to expand their activities, or to start new businesses, either as self em-ployers or as the employers of others. I believe this can be done only by inducing men to do these things and not by coercing them or by making it difficult for them to become employers. I do not believe it can be done by any de-vice of government planning, for the inevitable tendency then toward regimentation or St the inevitable tendency then is toward regimentation or State socialism. I think the responsibility of government is primarily to clear the way for people to provide jobs for themselves and for employers to employ others and, in general, to clear the way for people to do their own planning with reasonable assurances as to important government to important government policies.

As long as America's attitude is confused as to the scope of gov-ernment, then the attitude of business men must be clear. Regardless of what government has They didn't really care about the by many countries in Europe to done or may do in the future, re-lown people, after naving con-

gardless of political swings to the right or the left, it will still re-main the job for all of us to do the very best we know, in the the very best we know, in the conditions as we find them, to-ward adding to employment and increasing the volume of business. I am one of those who think that the individual knows his own affairs better than anyone in government, but I am also convinced that veloca business are do the that unless business men do the very best job they know how, and unless they convince America that they are doing that quality of job we will have increasing difficul-ties in the days ahead.

With that background I want now to paint in what I think is the responsibility of corporate management. There can be no formula for handling the problems confronting you in these days. The best that I can do is to place channel markers and warning beacons along the course of a successful business, one that is successful first because it pro-vides better goods to consumers at progressively lower prices, and second that it provides fair reward second that it provides fair reward to all in the group who share in the production—workers, management and stockholders. Management has this responsibility and cannot share it, for responsibility is not divisible. We all know that what is made every-body's business is nobody's busi-ness. That's why a debating society is no good as a management The stockholders made you their trustees, and when you accepted their delegation you accepted full responsibility. Let there be no responsibility. Let there be no uncertainty on that point. You were chosen for the responsibility for only one reason—that you possess the greatest power of management—simply the ability to influence people to converte to influence people to cooperate for a common purpose. If you weren't chosen for that reason, and if you don't perform on that basis, somebody made a mistake in picking you for your job. There may be other abilities de-manded in one who is competent in management, but the "ability to influence people to cooperate" is the prime one, the sine qua non. In the end that's the test you meet. If you succeed in this, you, your stockholders and your workers all succeed with you. If you fail, the best thing that can happen to you is to recognize the failure and resign in time before the failure your workers and your stockholders as well.

Management: "To Influence People to Cooperate

I have a great faith in Amer-an corporate management. lost men carrying management ican corj Most men responsibility have won their poresponsibility have won their positions through gaining the confidence of their associates. Almost all people so chosen have the ability "to influence people to cooperate" as otherwise they would not likely have been chosen. That's the one outstanding fact about the general character of American corporate man agement.

Now for that great talent, let me point out the greatest oppor-tunity and the greatest responsi-bility—the maintenance of our bility—the maintenance of ou faith in our form and kind of government—the keeping of the sword of free enterprise as bright and untarnished as when it came to our time. That job is a chalto our time. That job is a challenge to every man who is willing to stand on his own feet, every man who knows that a drift toward State socialism will be a leveling down process and not a leveling up, a process that will destroy both the freedom and the enterprise of all the people. How many top executives do you know who have tackled the job of unwho have tackled the job of un derstanding the simple principles of economics that need such wide explanation, and then tackled the of telling it all in simple terms to the members of their own or-ganization? That's what I think every executive should do.

I think he should go first to his no

vinced himself that he can present a forthright and earnest statement of his beliefs, after he has steeled his courage to point that he is willing to answer any question that can be asked, and after he has decided that he is going to tell his own story and no second-hand story in the simplest towards he can use with his plest terms he can use, with his facts applied to the particular business in which he is engaged. I know no reason why you will

not get attention to your ideas, and I a think the success you have in the job will depend in large measure upon how much of your heart you throw into it. I doubt theart you throw into it. I doubt that any of you have any interest in life that doesn't call upon you to recognize this challenge and to recognize this challenge and this opportunity. There cannot be any question about your self-interest or your loyalty to your country and your loyalty to your own conscience. Every one of these considerations will lead you to tackling this job to tackling this job.

Everyone of us in management complains, and justly, when people lean on government, and yet in this matter we, too, are leaning on government. We want gov-ernment to make our jobs easy; and of course we want govern-ment to get out of this field of controls of private business; When we ask government to help when we ask government to help us in these problems of the day, we only give power-hungry men in Washington full support for the belief that business needs the help of government. I think you have a good case and that you know it, but that you have been shrinking from doing what yo well, if you but try. what you can do so

Corporate Management and Public Relations

The American people have a greater stake in this American way of life than they seem to realize. They could be convinced by the top men in every corporate management who understand the common sense of the situation and personally present it courageously to their own people and then in larger groups. "It isn't a job for public relations or press relato their own people and then in larger groups. It isn't a job for public relations or press relations, though both could help. It must not be delegated, for it should be the personal job of each man in management.

Now there isn't a law that places this responsibility on corporate management or that sets up any penalty for its failure to act. The rewards are so great for doing the job that there need be

doing the job that there need be no penalty for failure to do it. You know what will happen if

You know what will happen if you fail on this job, and you don't need any radar to warn you of the approach of the enemies of the American way of life.

If this great ability to influence people is used on this one problem as it is used so well on so many less important problems, then the American way of life will survive—equal opportunity to all, personal responsibility for one's well being, no leaning on a beneficent or a bankrupt government (the only difference being ment (the only difference one of time)—with no coercion by anyone and no favors by government to any individual or group.

If men can be happy when they can see a worthwhile project that can occupy their best talents and every possible effort for a period of years ahead, then the men in American corporate management should be happy, because this job will meet that specification.

Here is a chance for American executives to rise above their own personal interests on the job that calls for the best of courage and initiative, and will increase the potential power of every executive who tackles it.

If this great tool of manage-ment—its ability to influence people—is to be used, apparently courage alone is needed—courage courage is the thing, for all goes if courage goes—courage described by Sam-uel Johnson in these words: "Unless a man has that virtue he has no security for preserving any other."

Sales Job Ahead" WA Big

(Continued from page 1821) give only secondary importance to such questions as the mechanics of changing from the manu-facture of radar to FM radio re-ceivers for the home; disposing of surplus war material and government-owned plants; setting a proper figure for unemployment compensation; or deciding whether Bulgaria has or has not a democratic government. Even the labor troubles that are de-veloping in all segments of industry are not the primary problem. True enough, they must be solved. It is also true that if they drag out too long, they may cause real hazards to reconversion. Nevertheless, even when they and the other difficulties I have mentioned above have been overcome, industry as we know it will still be highly vulnerable in years to come. It has an Achilles heel.

The real crux of our problem.

The real crux of our problem, gentlemen, is:

After industry has reconverted and provided employment for the millions who are now out of work how good a job will we do of maintaining a high level of employment through the coming

years?

In my opinion, the manner in which American industry answers this question will determine the way of life that we, and our children, will follow. If industry answers these questions as they can and should be answered, our future as a free democracy is assured. If industry fails, it might well sound the death knell of capitalism and free enterprise.

That, gentlemen, presents to us the greatest challenge and the greatest responsibility that have ever confronted us. The problem is tossed squarely into our lap. Industry's success or failure in solving this problem of reconvergion will be determined hereal sion will be determined largely by how effectively the sales ex-ecutives of the nation perform their task in this post-war era into

which we are now entering.

The Achilles heel of industry is our ability to create a sustained consumer demand. It is the one point where industry is highly vulnerable. It is more than salesmanship, if you think of salesman-ship merely as the task of getting Madame Pasquali to trade in her old washing machine for a new and shiny model. We must create and sustain such a desire for goods that we will steadily increase con-sumption, move the products to consumers efficiently and at the least possible cost, and thereby raise the standard of living that will permit high wages and large production.

This means that we must build This means that we must build up the enormous post-war market that has been so freely predicted, and maintain it through the years to come. In 1929, with a national income of 83 billion dollars and consumer expenditures of 71 billion dollars, we had reached a level that was not equaled until 1941, the year we entered the war. That year, with a national income That year, with a national income of 97 billion dollars, marked the real beginning of the sharp rise which has continued. Last year, which has continued. Last year, according to the Department of Commerce, our national income was 161 billion, with consumer expenditures of 98 billion dollars; which compares with 43 billion dollars consumer expenditures in 1932, and 66 billion dollars in the last prewar year 1940. last prewar year, 1940.

In order to sustain American industry and provide adequate employment, we must hold up our national income and consumer expenditures to levels that come at least close to those of these wartime boom years. But this time, gentlemen, we must do it without the aid of the enormous Government deficits which financed the war; we must do it from the sale of goods to consumers.

Industry's ability to produce has expanded enormously, al-though just how much is still any-'s guess. I can be more spe-in talking about body's guess. I can be more specific in talking about my own, the radionics industry. Our caracity measured in terms of pacity, measured in terms of physical productive ability — not in dollars—has been expanded at least four times. In our last pre-- not war year, we produced nearly 14 million radio sets, of which about 11 million were sold, and the remainder carried over and doled out during the first period of the war. This was by a substantial margin our largest year. Market surveys and estimates of the pent-up demand for radios range from an immediately pressing de-mand for 5 million sets to a nor-mal replacement demand, based on previous experience with ob-solescence, of from 25 to 40 mil-lion sets. If the entire radionics industry devoted all of its energies to the production of new sets, we could satisfy the most optimistic estimates of consumer de mand within a year. Fortunately, however, there are so many new war-born uses for radionic equipment that even with our enlarged capacity, industry leaders believe that sales-minded management can keep our factories humming.

Since the financial collapse of 1929, our political differences in the United States have been largely a struggle between two diametrically oposed schools of thought.

Prove Superiority of Private Enterprise

One group believes that the American system of private capi-talism is utterly inadequate to-day. They say, some in all sin-cerity, that our economic pattern is too complex to be handled except by central authority. They say that only a Government-controlled, planned economy can assure equitable distribution of the products our industrial plants are able to turn out in such profu-

We who are assembled here today hold an entirely different view. We believe that the com-petitive system of free enterprise developed in the United States did more to improve the common lot of humanity than any political or economic system that has ever been devised.

e recognize that serious mistakes have been made under our takes have been made under our capitalistic system in the past, and that more will be made in the future. However, the record of human life in the United States—and incidentally in the colonies administered by the United States—shows a greater respect for the highest of the individual that rights of the individual and a de gree of prosperity and security for the entire population that has never been approached elsewhere. We believe that preservation and orderly development of our free enterprise system will insure a higher degree of prosperity and happiness for Americans than will any other system. But gentlemen it is up to us to prove it—u us to make this system work is fortunate indeed that we have before us the prospect of several years of good business during which we can solve our fundamental problems.

Industry on Trial

There is no question in my mind but that industry is on trial today as it has never been before. Unless we get our wheels rolling and less we get our wheels rolling, and provide the millions of permanent jobs that are needed, we may never have another chance. The Socialist-minded boys will say, "See, you have failed again, just as you did in 1932. You can't and won't take up the sleek. Government

the nation's pay envelopes filled. If industry produces employment and builds a standard of prosperity greater than this nation has ever seen, well and good; if industry falters, if unemployment shows signs of becoming chronic, then the Government will step into the picture. to the picture.

Should that happen, mean Government spending projects that will probably pale the billions spent on the New Dealmade work program to the appearance of the petty pork barrel appropriations that scandalized our grandfathers. It will mean a perpetual tax burden of unprecedented severity, and a continual growth of Government regulation and planning forced on nearly all businesses. Call it what you will, the net result will be to force upon us the very conditions which we fought this war to pre-

went.

We must not ignore the seriousness of our problem, nor lull our-selves into a state of false security by quoting statistics of bulging bank accounts and accumulated purchasing power. The five or six or seven million people who have lost their jobs in war plants are more than just a rising curve of unemployment on a chart. millions of boys coming home from war are more than just a bunch of returning vets hoping to find jobs.

No, the millions of unemployed war workers and veterans are millions of individual Joe Smiths, Pete Harrises, and Tomaso Carrideos. Each has his own ideas, Pete Harrises, and Tomaso Carrideos. Each has his own ideas, each has a vote, each has been subjected to a most terrific propaganda campaign that promised the world and all around it to the "forgotten man." For each of these men who wants a job, industry must provide; otherwise he will look to the Government for it or at least, the compensation a job would provide.

Another thing to remember is

Another thing to remember is that each discharged war worker received a sharp lesson in thrift by the very suddenness with which his well-paying job was atomized out of existence. Millions of workers are, for the first time in their adult lives, entirely free from debt, with a little nest egg of bonds or money in the bank. Their savings represent accumulated purchasing power, it bank. is true, but most of them are going to hold tight until they that opportunity for work is open-ing up. So you can't count on accumulated billions funds to come clamoring to your door to be spent.

For that matter, it is not only the temporarily unemployed who have had a lesson in thrift. I dare-say that there is not one person in this room who has failed to note the surprising durability of our automobiles, radios, washing machines, typewriters, and other devices when we are forced to keep them in service without re-placement. Until this war I had never in my life owned the same automobile more than two years. My pet car is now five years old.

In my opinion, these factors add up to give a far different picture than one of customers crowding each other out of line in their frantic rush to buy what each of us has to sell. Many an automo-bile has given its last gasp, and many a radio has been turned over to Junior for demolition. But there are millions upon millions of theoretically obsolete aplions of theoretically obsolete appliances, vehicles, and other mechanical devices that are still going strong. Now that the madly stimulating psychology of war has run its course, the Joe Smiths and Pete Harrises are going to think account time theoretic properties. as you did in 1932. You can't and won't take up the slack. Government must come to the rescue."

In my opinion, the time we will be allowed to prove our case is not unlimited. Industry is being given its chance right now to keep

able car or washing machine be-fore digging into their savings to buy something that is labeled "post-war."

A Terrific Market Ahead

I realize that this may sound unduly pessimistic, but it is not meant that way. There is, of course, a terrific market ahead for each of us. First, is the real pentup demand, as distinguished from the estimates that have been deduced by crystal-gazing theorists. There are homes without radios, people in urgent need of radios, people in urgent need of new automobiles, and pressing de-mands for all of the things that we have done without for so long. But this urgent, pressing demand is, in my opinion, a mere fraction of what the theorists have predicted.

The real market, the volume The real market, the volume market, is the one represented by the millions of Pete Harrises and Joe Smiths who are waiting to see what happens. But Pete and Joe are not standing in line to buy your goods, nor will they stand in line. Pete and Joe will have to be sold, and that is going to require real salesmanship.

While analyzing this phase of our problem, let us consider for

our problem, let us consider for a moment that much advertised bogey-boo, inflation. How in the world can there be sustained inflationary buying in a country with the tremendous productive after the last war because the Germans were an importing nation; and it happened here to a certain extent because our industrial expansion had barely begun when the Armitties was signed. when the Armistice was Demand for goods exceeded pro-

ductive capacity.

How different are conditions here today! Our production capacity is at an all-time high. Durpacity is at an all-time high. During the past five years, under the impetus of war, we turned out a volume of heavy goods that surprised us all. In 1942, with millions of men in the army, our output was 121 billion dollars, double that of 1939; and by last year, it had grown to 153 billion dollars. I believe that our manufacturing potential and ingenuity has increased far more under the pres-

increased far more under the pressure of war than most people realize, that within a very few months our factories will be pouring forth such a flood of merchandise that shortages will disappear as rapidalized. idly as cigarettes came up from beneath the counter last month When that happens, there will be no need to worry about inflation-

ary prices.

The so-called law of supply and demand will go to work on manu-factured goods as it already has on food. Here are two homely examples of the latter given to me by the boss of our household: In August, canning peaches were \$4.50 per bushel in Chicago, as compared to \$3.50 a year earlier; three weeks later they sold for \$2.95. In August it was difficult to buy beef in Chicago at any price; last month porterhouse steak retailed for less than 40 cents a pound, while hamburger cents a pound, while namburger had dropped to a pre-war quarter. The same thing will be true in industry; all that we at Zenith need to keep our prices in line is the hot breath of Philco on our necks. I daresay that the same thing is true for virtually all other manufacturers. manufacturers.

Problem in Laps of Sales Executives

It is my considered opinion that the period when people will buy anything is to be exceedingly brief, and that within a relatively there we are going to be in brief, and that within a relatively short time we are going to be in a fiercely competitive market. And that, gentlemen, is why I say that the problem of America's future has landed squarely in your

You are the vitalizing force, the yeast in the dough, the spark plug in the engine, the detonator of the atomic bomb. If you meet the challenge successfully, you will launch a golden era for all

humanity that will go further to-ward healing the wounds of this poor old world than all the inter-national conferences that have national conferences that have ever been held. But, unless the ever been held. But, unless the products that industry knows so well how to produce are sold as they have never been sold before, there won't be any jobs in private industry for Joe Smith and Pete Harris. If Joe and Pete can't find the in industry, they will look jobs in industry, they will look to our benevolent Uncle Sam. That, in turn, will mean that industry must purchase its customers by assuming a tax burden that industry cannot bears You all know what that did to us, and to the people that Government planning was meant to help, dur-ing the aready 30s. And you know what governmental solution of unemployment did to Europe, and thence to the whole world! I repeat, the Achilles heel of in-

dustry today is our ability to cre-ate consumer demand, not today but tomorrow, next year and the years after. In all other respects, industry is good, or better than good. Compared to even five years good, Compared to even five years ago, our technological skill is phenomenal. Our engineers can design magnificently; our factories can produce with incredible efficiency. Our mastery of the physical problems of distribution is superb. Last year when sellis superb. Last year, when selling was not a problem, we manufactured and shipped merchandise to the value of 156 billion dollars, nearly three times our output in 1939. Next year, when everything we manufacture must be sold, what will our volume be?

In my opinion, salesmanship is the phase of business that has been most severely neglected, not been most severely neglected, not only during the war years just ending, but ever since our orgy of financial insanity brought calamity in 1929. In fact, I believe it is fair to say that there has been little real building of salesmen in the country since that men in the country since that tragic Black Friday. During the '30s we did not develop young '30s we did not develop young salesmen; we were hard pressed to keep the older ones. During the '40s, thus far, we have been in a sellers market and, of course, the young men have been in the Armed Forces. Seriously, how many young men have been trained during the past 15 years?

It is notural that during the

It is natural that during the war the emphasis of industrial management has been on production. In war industries there was but one customer; in others, that could still produce for the civilian could still produce for the civilian market, the only problem was getting the merchandise manufactured within the price limits set by OPA. One result is that many a manufacturer, newly born or vastly expanded by war, is innocently stepping into a competitive situation with no experience in large-scale sales organization. Another is that even many tion Another is that even many established prewar sales organiza-tions have forgotten much of their competitive experience.

In other words, one important job of reconversion yet to be done must be between the ears. Man-agement must become salesminded, or be lost in the shuffle. It is a case of sell goods or die, and if enough companies die, it mean death to something will else: our free enterprise system.

On a national basis, success or failure will be determined by results in the field of durable con-sumer goods. If we sell enough automobiles and radios and washers and refrigerators, we will pace the entire business activity of the nation to new highs. Then it fol-lows, to paraphrase Polonius, as the night the day: Machine tools, facfarm machinery, utility construc-tion, and all of the complex operations of an expanding economy will be in heavy demand if the output of heavy consumer special-

ties is heavy enough.

Let's take a brief glance at what happened in the years following the last war. It will illustrate my point, for during that period ag-gressive selling paced the entire

industrial life of America to new levels that have never since been attained in peacetime.

In 1914, the last year of our sleepy, peaceful prewar existence, the value of all goods manufactured in the United States was 23 billion dollars. My figures are from Department of Commerce statistics. In that year, manufactured. 23 billion dollars. My figures are from Department of Commerce statistics. In that year, manufacturing establishments maintained about seven and one-half million workers; salaries and wages aggregated nearly five billion dollars. These were the nation's basic customers, not only for the goods they produced but for farm produced but for farm produced. they produced, but for farm prod-ucts, professional services, etc.,

etc. Then came the war. By 1919, Then came the war. By 1919, the value of manufactured goods had more than trebled, to reach a total of nearly 60 billion dollars. Employment in industry approached 10 million; salaries and wages were more than 12 billion dollars. Then came the "burser" dollars. Then came the "buyers' strike" of 1921, brought on by instrike of 1921, prought on by in-dustry's senseless policy of over-pricing, and a drop in product value to 42 billion dollars. Em-ployment and wages fell off pro-proprientally.

portionately.

The depression was brief, and The depression was brief, and was followed by a steady rise in industrial activity. In 1925, industry was producing at a rate greater even than the war year of 1919, with an output of 61 billion dollars. By 1929, this had reached 68 billion, a higher figure than industry under the Roosevelt Administration was able to attain until 1941, the year we entered until 1941, the year we entered

the war.

Now, let us see what happened heavy consumer Now, let us see what happened in the field of heavy consumer specialties during those golden 20s. This was the decade of the automobile, of expansion in the electrical industry, of specialty selling that has not been equaled in our history.

Automobile producties in the second and the second are selling that has not been equaled in our history.

in our history.

Automobile production increased in value from 500 million dollars in 1914, to more than two billion in 1919. It dropped to a billion and one-half in 1921, bounced to three billion in 1923, and with one relapse while Ford retooled in 1927, climbed steadily to three and three-quarter billions in 1929. During that year the automobile industry accounted for half a million jobs with salaries and wages exceeding 800 million dollars.

Electrical machinery and sup-

Electrical machinery and sup-plies, which included at that time plies, which included at that time the radios and appliances now classified separately, exceeded the automobile industry in rate of growth. Value of product increased from 330 million in 1914 to two billion, three hundred million in 1929, with a like growth in workers and payrolls: Washing machine production grew from eight million dollars in 1914, to 82 million in 1929; phonographs from 27 to 97 million. And so it went.

It is true that many of these

It is true that many of these ales were financed by paper profits, that we over-extended purselves in time payments, that ourselves in time payments, that there were many unsound financial practices which later took their toll. But, and this is extremely important, these deadly factors did not enter the picture until about 18 months before the crash, and from 1923 through 1927, our factory output exceeded every year in the following decade but 1937, the year of the "we planned it that way" boom that collapsed so quickly.

collapsed so quickly.
Gentlemen, conditions today, except for our terrific debt, are more favorable than they were in 1919. Industry has better physical equipment, personal and corporate finances are in better shape, we have a larger potential demand. Moreover, our financiers have learned much from what happened in 1929, and there is a reasonable hope that we can avoid the pitfalls that tripped us then. Business should be able to cash in on these favorable factors with sound long range sales planning.

sound long range sales planning.

Management must quickly become sales minded. Intelligent and aggressive promotion must be given to the new industries that ity.

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are looming on the horizon. Some are looming on the horizon. Some of these industries will collapse under competition like a snowman on the first bright warm day of spring. Others will grow and advance to fill new consumer needs, and in so doing, will increase employment. In my own industry, we have a number of very promising consumer products. Among these is that much discussed engineering baby, telediscussed engineering baby, tele-vision. None of us knows when and how television will assume the giant stature that has been promised for it for so many years. Unquestionably, it is ready from a technical standpoint. Its major hurdle is economic, and that, gentlemen in the final analysis, is a

nurde is economic, and that, gentlemen in the final analysis, is a problem that is up to us. When we figure out an answer to the economic problem television will provide a great market for the radionics industry.

In looking to other industries, I am of course impressed by the tremendous potentialities that chemistry has developed. Plastics are on the threshold of enormous expansion in consumer goods industries. Then there are frozen foods. Is the day approaching when all of us will live from our deep freeze chest? What a bonanza that would be for manufacturers of refrigerating equipment, nanza that would be for manufacturers of refrigerating equipment, and what a problem for the producers of canned fruits, vegetables, and meats.

I mention several of these new industries not only as recognition that the American practice of

tion that the American practice of obsoleting existing products with new ones will obviously continue but more importantly we, as sales executives, must create the maxi-mum demand for these new prod-

ucts.

When management again becomes sales minded, we will see a change in advertising. For one thing, much of the war sponsored breast-pounding is going to van-ish, in favor of copy and illustra-tions that will sell merchandise. You probably have seen ads about the bolt that won the war because it was used on a machine that made a gadget that tested a part that was used on a bomber. Most of us have been guilty of pointing with mide to be a superior of the state of with pride to our own achieve-ments, instead of devoting honest thought to ways and means of in-creasing public demands for our products

Another thing to consider is the changing retail market situation. There is, in my opinion, danger of creating far too many retail outlets. Without any thought of restricting free enterprise, it certainly is the duty of management to limit its number of dealers sufficiently to insure each a fair opficiently to insure each a fair op-portunity for success. Without market analysis and sound plan-ning, we could have too many retail failures.

Another problem is pricing. In this day of overwhelming de-

mand, some organizations may be tempted to over price in an at-tempt to skim off cream while the skimming is good. This is, in my opinion, a most dangerous policy. It was the fantastic price structure of 1921 that led to the buyers' strike. The collapse that followed was painful, even though short-lived, and it must not be repeated.

These are but a few of the prob-lems and possibilities facing us. Time does not permit elaboration. I have mentioned these few merely as indicating the task before us. I, personally, have every confi-dence that American industry with the same qualities of deter-mination and ingenuity that contributed so greatly to recently won victories will meet these peacetime issues with equal suc-

cess.
With American industry's ability to produce, and the desire of this country for an ever increas-ing higher standard of living, it is our responsibility as sale executives to see to it that American industry remains even strong-er than was Achilles, by eliminat-ing the last point of vulnerabil-

THE PROPERTY OF A PROPERTY OF

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Purchasers of Government Securities continued to show a preference for the longer term obligations, although an improved tone is in evidence in the note and certificate market. . . The ineligible bonds showed further improvement, which is attributed to the restrictions on purchases by insurance companies and savings banks in the coming Victory Loan. . . While most of the large institutions do not seem to be affected much by these new regulations, some of the intermediate and smaller ones have had their buying power, in the coming drive, curtailed substantially. . . .

As a result selling that would ordinarily take place to make room for the drive issues has been eliminated by the new rules. . . This along with some buying of the outstanding obligations has helped the market for the restricted bonds. . . .

PARTIAL EXEMPTS FIRM

The partially exempt obligations have been firm to better following approval by the House of the new tax legislation. . . . It is still believed in some circles that the recent change in surtaxes will be eliminated along with excess profits taxes. . . If surtaxes should be lowered, it would have a favorable effect on these bonds, which are still being advised for purchase by institutions that have need for tax protection. . . . The most attractive issues are the longest maturities in this group. . . .

MARKET LEADERS

The bank eligible taxable securities were among the leaders in the market, with the 2½% due 9-15-1967-72 again in demand, and showing the largest advance, although not yet going through to new highs, as did some of the other issues in this group. . . The 1½s due 1950, the 2% due 1951-53, 1951-55, the 2s due June and December 1952-54, along with the 2¼s due 1952-55, and the 2½s due 1956-58, all went to new high levels. . . .

While the 2% bonds will probably move up from present prices, it is indicated that these securities do not have the same price appreciation possibilities as do the 2½ due 9-15-1967-72.

As a result the longest bank eligible bond now seems to be the most favored obligation for both income and price enhancement. . . .

"NORMAL ADJUSTMENTS"

"NORMAL ADJUSTMENTS"

The Treasury has again requested that security changes made before and during the Victory Loan be confined to "normal portfolio adjustments". . With the 2% taxable bonds at present levels the question is raised whether institutional holders of these securities could not justify the sales of these bonds, with the proceeds to be used to purchase the new drive issues, as a "normal portfolio adjustment". . . . It is believed in some quarters, that many valid reasons can be put forth by institutions owning the 2% taxable issues, why these bonds should be sold, which might be acceptable to the Federal authorities. . . It was pointed out that the market could use a somewhat increased supply of these bonds without having any appreciable effect on prevailing prices. . . . effect on prevailing prices. . . .

Also as it becomes more evident that the Treasury will confine its sale of marketable issues to the commercial banks, to low coupon short-term obligations, the demand for medium term issues with a somewhat higher rate of return will be very great...

In order to prevent the market price for such obligations from going too high, an increase in the floating supply would be a good thing for the market since it would tend to temper the price rise. . At the same time institutions would be in a position to increase their income since they would be selling a 2% bond at a substantial premium with the proceeds to be invested in a 21/4% or 21/2% obligation at 100. . . .

WHAT TO BUY?

Since commercial banks with savings deposits will be allowed to purchase directly limited amounts of the Savings bonds and the marketable issues, during the Victory Loan, there is considerable discussion as to whether these institutions will be attracted more to the 21/4s or the 21/2s.

The $2\frac{1}{4}$ % due 12-15-1959-62 will be eligible for commercial bank purchases after the drive, on Dec. 15, 1952, whereas the $2\frac{1}{2}$ % due 12-15-1967-72, cannot be bought by these institutions again, until Dec. 15, 1962. . . .

In the Fourth War Loan, the last drive in which the commercial banks were allowed to purchase both a 21/4 % and a 21/2 % restricted obligation the largest commitment by these institutions was in the . At the time of the offering of these two restricted 21/4 % issue. . bonds to the deposit banks the 21/4% obligation had slightly more than two years and seven months to run before it would be available for purchase by these institutions. . . . In the coming drive the 21/4 % bond that can be taken on directly by these institutions cannot be bought in the open market for seven years. . . . Undoubtedly the longer period of time that must elapse before the 21/4% due 12-15-1959-62 can be bought by the commercial banks does not make this bond as attractive to them, as was the $2\frac{1}{4}$ % due 1956-59. . . .

PAST PERFOMANCE

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Nevertheless, as the 21/4% due 12-15-1959-62, approaches Dec. 15, 1952, and with money market conditions unchanged, the market action of this obligation should not be dissimilar to what has taken place in the 21/4s of 1956-59. . . . The latter obligation has advanced about 4% points since it was offered in February of 1944, with more than 31/2 points of this rise coming since the end of last year.

With slightly less than a year to go before it is eligible for commercial bank purchase and with possible appreciation from present levels of a point, the 2¼% due 1956-59 has been a much better buy for the commercial banks than has been the 2½% due 3-15-1965-79....

The latter bond has moved ahead from its offering price of 100 by about 1% points. . . . The loss in income through the purchase of the 21/4% bond instead of the 21/2% obligation has been more than made up in price appreciation. . . .

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Spitzer, O'Neil & Co. To Open November 1

To Open November 1
Spitzer, O'Neil & Co. will open offices at 120 Broadway, New York City, as of November 1st. Partners of the new firm will be Robert Spitzer, member of the New York Stock Exchange, Edward F. O'Neil, general partners, and Benjamin J. Friedman, limited partner. Mr. Spitzer has been doing business as an individual floor broker; Mr. O'Neil was with L. F. Rothschild & Co.

Gale, Bishop & Co. to Be Formed—New NYSE Firm

Gale, Bishop & Co. will be formed with offices at 115 Broadformed with offices at 115 Broad-way, New York City, as of No-vember 1st. Partners will be Alexander B. Gale, Allen R. Bish-op, Henry Goldman, Jr., all mem-bers of the New York Stock Ex-change, general partners, and Clara Belle White Gale, limited

J. H. Brooks Dies.

John H. Brooks, founder and enior partner in the New York Stock Exchange firm of J. H. Brooks & Co. with offices at 25 Broad Street, New York City, and in Scranton, Pa., died after a long illness. His home was in Scranton, where he was born 73 years ago.

Mr. Brooks was graduated from Princeton University in 1895. As a young man and later he was interested in the coal business and in 1905 formed the brokerage firm bearing his name.

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The Securities Salesman's Corner

By JOHN DUTTON

Something That Looks Simple To You May Not Be So To Your Customer.

Sometimes we are prone to over-estimate a customer's knowl-Sometimes we are prone to over-estimate a customer's knowledge of the finer points of investment procedure. This is usually caused by the fact that the things we are thinking and doing day after day (as professionals in the security business) become so natural to us that often we forget that the rest of the world isn't interested in the same things that attract our attention.

Take taxes for instances. Who would think that a successful business man, the head of a large corporation, and the owner of a substantial portfolio of securities, would not be up-to-the-minute on the simple matter of the capital gains tax and how it works. There are many who are not familiar with the ins and outs of this tax. That's why its important to know these things—as fundamental and as simple as they appear to you, the general public isn't so well informed.

Here's a case in point. A profit sometimes should be taken. The investor to whom we have referred in the foregoing paragraph had a big one and his salesman thought it was time to cash in. The customer said, "That's fine, I didn't think I had such a big profit in those bonds." "But I don't want to take it, I've made too much money already this year." Here's a case in point. A profit sometimes should be taken. The

The salesman was ready for this sort of an objection. He pulled out his card and noted the date that the customer had bought the bonds and found that he had held them over six months thereby putting him in a position to avail of the benefits of the capital gains He thus showed the customer that he would only have to pay tax. He thus showed the customer that he would only have to pay about half as big a tax on his profits as he thought would be the case. He then showed that the capital gains tax only amounted to about 4½ points on the bonds that he was advising the client to sell. He pointed out that they were reaching a point where a reaction might logically be expected and at the best, only a slight improvement in market price could be achieved. After this logical explanation the was satisfied that it was good investment logic to take the profit and pay the tax.

profit and pay the tax.

Simple as A.B.C. to us—not so simple to a lot of people. The same thing holds true all the way down the line. Imagine, if you will, that the majority of people would all of a sudden find out, AND KNOW AS MUCH ABOUT THE SECURITIES BUSINESS AS YOU DO. What a fine mess that would be. That's why it's important that we have securities salesmen to sell securities, doctors to sell medicine, lawyers to sell legal assistance, engineers to sell scientific skills, and politicians to sell us government. This is an age of specialists—let's not forget it. Knowing our business is important—it's the only way we can best serve the public, the national interest and ourselves. But let's not talk down to anybody—let's make it simple—plain, everyday, talk that anybody can understand. And don't forget that you know a lot more about the investment business than the majority of people with whom you come in contact—that's the way it should be—SO DON'T ASSUME TOO MUCH WHEN YOU ARE TRYING TO MAKE A POINT—remember the next fellow may be a good engineer, and that's his business. Selling securities ARE TRYING TO MAKE A POINT—remember the next fellow be a good engineer, and that's his business. Selling securities

Newkirk & Co. Formed In New York City

Formation of Newkirk & Company, Inc., with offices at 60 Wall Street. New York City, is announced by Louis H. Newkirk, Jr., President. Mr. Newkirk, recently discharged from the Army, served as Captain in the Engineers Amphibian Command, and later in the office of an Impasse Panel for Renegotiation. Upon his entry into military service, Mr. Newkirk 16th.

dissolved the old firm of Newkirk & Company which had been active for six years.

The company will act as primary underwriters and agents of close corporations and will transact a general securities business.

Other directors are: John F. Russell. Jr., Paul T. Iaccaci, B. L. Maas, Max Nydeggar, and L. Hasbrouck Newkirk.

Formation of Newkirk & Com pany was previously reported in the "Financial Chronicle" of Aug.

American Fruit Growers Inc., Com. Arden Farms Co., Pfd. & Com. Fullerton Oil Co., Com.

Wagenseller & Durst, Inc.

Members Los Angeles Stock Exchange 626 SO. SPRING ST. TRINITY 5761 LOS ANGELES 14

Market Quotations and Information on all California Securities

File of March 18 State of Business Commencer of the Comme

Gatharine Pres. of N. Y. State Savs. Banks Ass'n

Robert M. Catharine, President of the Dollar Savings Bank, was unanimously elected President of

the Savings Banks Asso-ciation of the State of New York at the Association's 52nd Annual Meeting at the Hotel Biltmore. He suc-ceeds Myron Myron rt, Pres-S. Short, President of the Buffalo Savings Bank, who has served in that capacity for the past three years. Catha-



Mr. Catha- Robt. M. Catharine rine is also Chairman of Group IV, Savings Chairman of Group IV, Savings
Banks Association, trustee of the
Savings Bank Life Insurance
Fund, member of the Council of
Administration and Executive
Committee of the National Association of Mutual Savings Banks and a director of the Bank of Manhattan Company. He became Comptroller and a trustee of the Dollar Savings Bank in 1936 and has been President since 1941.

He is an active participant in many civic affairs, having served as Chairman of Bronx County of the Greater New York Fund this year and Treasurer for the county for the American Red Cross. He is also a member of the Presby terian Hospital Association. He

New York Stock Exchange Weekly Firm Changes

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

Charles M. Clark, Jr., member Charles M. Clark, Jr., member of the Exchange, a limited partner in Charles Clark & Co., will become a general partner effective October 31st. Clayton Snyder, Exchange member, and David A. Pincus will retire from the firm as of the same date.

Dorsey A. Buckley, limited partner in Buckley Brothers, Philadelphia, will become a genpartner, effective Nov. 1

Henry A. Rudkin, general partner in J. R. Williston & Co., New York, became a limited partner effective October 1st.

Privilege of C. Frank Fackrell to act as alternate on the floor of the Exchange for Joseph H. Brown, Reynolds & Co., was with-drawn October 9th (this was approved but did not become effec-

Privilege of H. Gerard Moers dorf to act as alternate for Aloysius R. Thumser of Vilas & Hickey, New York, was withdrawn on October 6th.

Privilege of William T. Maddox, Jr. to act as alternate for William E. Hutton of W. E. Hut-ton & Co., New York, was withdrawn on October 13th.

Privilege of George Snedecor Jr. to act as alternate for Vincent H. La Frence of J. Robinson-Duff & Co. will be withdrawn October

Transfer of the Exchange mem bership of Roy R. Coffin to Myror Simons will be considered by the Exchange on Oct. 25.

Ernest B. Armstrong, partner in Davis & Davis, Providence, R. I., died on October 5th.

Robert Winthrop to Admit

Robert Winthrop & Co., 20 Ex-change. Place. New York City, members of the New York Stock Exchange will admit Walton W. Cox to partnership in the firm on November 1st.

The Sterling Problem (Continued from first page)

The Sterling Area

The Sterling Area

The sterling area came into existence as a defense against depreciated currencies and a disintegration of the international gold standard before the war. During the war, the sterling exchange control has developed somewhat within the former sterling area and added greatly to its somewhat within the former stelling area and added greatly to its adherance. The area has now acquired a statutory definition and quired a statutory definition and understanding. It has become one of the essential means of defense for sterling. It is used openly for canalizing trade. It provides the means of discrimination in trade and in directing the flow of capital to and from the various members of the area. In the Bretton Wocds debates, it was made clear that there is a very strong body of opinion which wishes to preserve the sterling area in its present form and with its present powers. There is an equally strong present form and with its present powers. There is an equally strong body of opinion which feels that the sterling area is a menace to the trade of other countries and that the Bretton Woods Stabilization Fund has no chance of succeeding in a world in competition with the present sterling control. The present sterling area control is an instrument of economic warfare. As pointed out by the Lonfare. As pointed out by the Lon-don Bankers, it opens the door to unwilling markets. It has spiked fences to keep unwanted goods from unwanted sellers out of the Empire market.

The sterling area and sterling are historical traditions in international trade. Countries adhering to the sterling standard have found it desirable to keep the found it desirable to keep the bulk of their exchange reserve needs for current trade in London and also to keep in London the required reserves as backing for their domestic currency. These reserves are kept as sterling balreserves are kept as sterling bar-ances usually invested in short-tern London assets. This sterling arangement has a flexibility which the maintaining of actual gold reserves does not have. The ster-ling area and the sterling standard acquired a sort of a formal basis with the monetary resolution of the Ottawa Conference of 1932. This resolution defines the general aims of the monetary policy within the sterling area as being the stability of sterling prices. The Ottawa system of Imperial preference was one strong factor in binding the Empire countries to the currency alliance. Another factor was the two-way strong factor was the two-way financial relationship of most of the member countries to the United Kingdom. Another forceful imperative was the uncertainty, chaos, and undependability of any alternative for stability of the exchanges. The devaluation of the American dollar in 1933 had been a hard blow to the confidence of the countries holding their interthe countries holding their inter-national balances in New York.

national balances in New York.

This step held no promise of stability in the future of the American dollar for those countries which needed a stable international exchange at that time. The stability of sterling within the entire area was a lifesaver for maintaining the stability of the exchanges selling within the area and enabling countries that owed sterling balances to settle them in money at the same price as the debts were contracted.

After the outbreak of the war

After the outbreak of the war in 1939, and the depreciation of sterling, many countries were discouraged with the sterling area. At this point, it seems that in order to restore confidence and carry on the necessary trade dur-ing the war, a system of sterling exchange control was necessary. exchange control was necessary. The sterling area provided the nucleus and mechanism for this control. Within this area funds can be used freely for the purchase of goods. The exchange control was then developed around the whole sterling area. The participants in the Exchange Pool

Agreement formally bound them-selves to maintain the voluntary practices of the past, to sell their foreign exchange income to Britforeign exchange income to Britain and maintain the whole of their exchange reserves in the torm of sterling assets. In exchange for these obligations, member countries were guaranteed by the Pool such hard currencies as they required to pay for essential imports from other countries. These original agrae. countries. These original agree-ments have been changed to meet special conditions. For example, the agreement was changed in 1944 for India, allowing India to keep a part of her U.S. dollar income

In the course of the war, however, the growth of the reserves of London funds held by the member countries and the decline of gold and hard currency assets in the United Kingdom have exceeded earlier expectations. These developments have made it necessary so it seems to London Bankers to continue the Sterling Ex-

Just how long this control will need to be maintained depends on how long these excessive sterling balances last. No doubt, this condition was in the mind of Lord Keyner and others when it was incorporated in the Bretton Woods Agreement that a period of some five years might necessarily have tive years might necessarily have to elapse before the ban on "discriminatory currency devices" becomes operative. In the meantime, England has negotiated sterling agreements with many European and other countries, in the state of the sterling and the countries, in the state of cluding Egypt, Belgium, Holland, France, Sweden, Turkey and others.

After several years of these discriminatory practices, can the sterling area be dissolved and the world embrace the exchange ar-rangements provided for in the Bretton Woods Fund? Or, by that time, will the sterling area arrangements have become so solid-ified that the monetary stability provided for in the Bretton Woods provided for in the Bretton Woods Agreements will not be needed? It is true that sterling exchanges for sterling within the sterling area much more exacting than provided for in the Bretton Woods Agreements. Within the sterling area, sterling exchanges for sterling exchange. In the Bretton Woods Agreements, monies may be devaluated as much as 10% without notice and as much as 20% with the approval of the Fund. Of course, any such wide fluctuations in exchange would kill trade and certainly no one ever expected this fund mechanism with these privileges to come into existence and live.

Bretton Woods theoretically is

into existence and live.

Bretton Woods theoretically is dedicated to a freely trading non-discriminatory world. But unless England can solve her present problem of excess sterling debts, the Bretton Woods exchange world is outside of the sterling world and will have to compete with it while, at the same time, being compelled to loan funds freely to members of the sterling area.

Whose Problem?

What is the solution to the ster What is the sould ling problem? Is it England a problem? Is it the problem of the tabling area? Is it the problem. sterling area? Is it the problem of the United States or other

of the United States or other countries outside of the sterling area or is it a world problem?

It is claimed by commercial interests in England that we need freer trade with the sterling area just as much as the sterling area needs freer trade with us. It is claimed that England and her monetary management are as im-

depression and depreciation of the monies all over the world.

The prices of commodities traded on the world's markets have been made in sterling so long that the tradition, in addition to the control of the sterling area, will continue to live. When sterling depreciates in terms of dollars, goods bought and sold in terms of sterling on the world's markets also decline in terms of dollars. The decline in terms of cof sterling brings a decline in the price of wheat, cotton, wool, tin, price of wheat, cotton, wool, tin, rubber, lead, zinc, paper, and many other products. In addition, the decline in these products soon

affects all other products even those that are not exportable.

The solidity and stability of the sterling exchange in the sterling area, and its control of a large part of the commercial world is England's ace in the hole in bardaining for American help to bardaining for American help to bardain after American help to bardain and the stability of the sterling after American help to bardain after American help to bardain and the stability of th gaining for American help to bail her out of her present sterling debts.

Solving the Sterling Problem

Solving the Sterling Problem

A large loan to England has been suggested in the United States. According to the press, British representatives do not want a loan. What solution could there be to this problem of sterling cebts which would free the exchanges of the sterling area and bring about a stabilization of the exchanges of all countries with a smooth working exchange as practical as that of the sterling area?

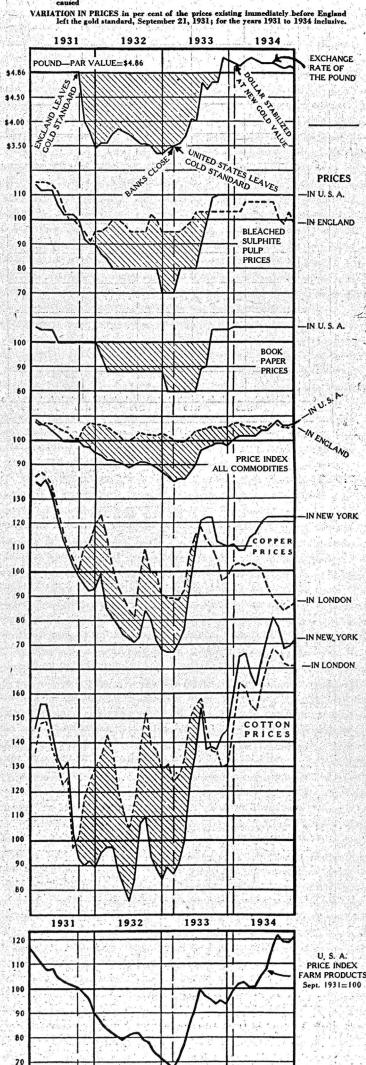
If the United States made a gift of several billion dollars to England, would the other countries bolding large sterling balances be willing to cancel a portion of their claims? Suppose the United States purchased from other countries cancel billion dollars, worth tries several billion dollars' worth of sterling exchange, that would give these countries dollars which they want, then they would buy goods in the United States and other countries where dollar exchange is preferable. England would then lose a part of her market to these countries and in turn she would owe the United States large sterling balances. She could only pay by selling us goods tries several billion dollars' worth could only pay by selling us goods far in excess of the volume of her purchases from us. Has England something else to sell us besides goods in exchange for these sterling balances? Could she sell us some islands, or some other areas, or sources of raw materials which we need? Maybe she could part with some of these islands or sources of raw materials to her other sterling creditors, and thus reduce, if not erase, the present sterling balances. Could we buy rights of way or ports and useful services that we need in world trade? Could we sell the sterling to tourists in the sterling area where Americans and other tourists will spend perhaps a couple of billion dollars a year? Could these sterling balances be invested in the capital-plants, stocks and bonds of the sterling area and sold to investors and speculators who are always willing to venture?

A solution to the sterling problem can be found. Unless a solution is found in time, currency and trade maladjustments will take their course and the economy of the whole world will pay in stagnate markets, depreciated currencies and loss of trade.

There is no simple solution to the sterling problem. While it is a serious problem for England, it is also a serious problem for the United States and the rest of the world as indicated, by the prices of commodities when sterling declines, on the accompanying charts, compiled by Walter A. Starr.

Some Examples Showing the Effect on Prices in the United States of Variations in the Exchange Rate of the Pound

VARIATION IN THE EXCHANGE VALUE OF THE POUND in terms of dollars which



Shaded Areas Represent the Extent of:

1. DEPRECIATION OF THE POUND, in terms of dollars, below the par rate of \$4.86, after England left the Gold Standard, September 21, 1931.

2. DEPRESSION OF PRICES IN THE UNITED STATES below prices prevailing in the world market, resulting from the depreciation of the pound.

- PRICES IN ENGLAND PRICES IN U. S. A.

Source of Schedules of Prices, from which percentages were computed for the charts: Standard Statistics; Board of Trade Journal, London; Federal Reserve System; U. S. Pulo Producers Association.

These charts show the relationship between the fluctuations in the llar value of the pound and the dollar prices of commodities in the tited States.

ted States.

When England left the Gold Standard, prices in the United States lined along with the dollar value of the pound. When the United States the Gold Standard, and neutralized the devaluation of the pound, prices anced along with the dollar value of the pound.

The price trends of particular commodities shown by the charts are mas examples of what happened generally in the United States during period. declineu a... left the Gold S advanced alor

CHEMICAL WOOD PULP

The effect of depreciated Sterling Bloc currencies on U. S. industries whose products are on the free list is here shown in the case of a chemical pulp.

Production of chemical pulp in the U. S. A. for 1938 was 4,650,000 tons, imports were 1,552,000 tons. Most imports come from Norway, Sweden and Finland whose currencies followed the pound. Since there is no import duty, keen competition exists with manufacturers in these countries, who operate with cheap labor and also have the advantage of low ocean freight rates due to the low wages paid on the foreign ships which carry their products to American ports on the Atlantic and Great Lakes.

The chart of prices records sales of foreign pulp in U.S.A. and England. In 1932 the Scandinavian manufacturer was receiving a higher price in his own money when selling in New York at \$40 per ton than when selling in 1931 at \$50 per ton. The price of domestic pulp followed the price of imported pulp until the latter was reduced to \$35, which was not met by United States producers because they were already selling far below cost at a price of \$40.

Prices in the United States recovered in 1933 as the dollar value of the pound

Prices in the United States recovered in 1933 as the dollar value of the pound

PAPER

Paper manufacturers in the United States are protected by an import duty on paper. Nevertheless prices declined and recovered with pulp prices, imports increased, and profits in the operation of this important industry largely disappeared on the paper leave. peared or became losses.

peared or became losses.

Many industries having tariff protection were affected in a similar way by the competition of foreign imports which were offered for sale in our markets at lower and lower prices due to the depreciated foreign currencies. Depreciating the dollar value of the pound is the same as lowering our tariffs.

PRICE INDEX — ALL COMMODITIES

The index level of all commodity prices in England during the period of pound devaluation from 1931 to 1933 averaged several points above the level prevailing at the time devaluation started in September 1931. But during the same period, as a result of the depreciated pound, the price index level of all commodities in the United States declined fifteen points below the level prevailing in September 1931. Recovery of prices in the United States started when we left the Gold Standard in March 1933. Our prices advanced in step with recovery in the dollar value of the pound and returned to the level of September 1931 in November 1933 at the same time that the dollar value of the pound returned to

COPPER

Copper prices had declined from the highly inflated price of 18 cents per pound, New York, in 1929-30 to 71/4 cents per pound on September 1, 1931, which was below the cost of production for all American producers. But foreign competition under conditions created by a depreciated pound finally drove prices down to the extremely low level of 41/6 cents by the end of 1932. Prices recovered to 9 cents in 1933 when the exchange rate of the pound returned to par.

At this time new low cost production came into the world market from Africa, and in 1934 Congress placed an import excise tax of 4 cents per pound on copper to protect the American producer, which accounts for a part of the spread between American and English prices at the close of 1934.

COTTON

The Cotton Crop of the United States picked in the autumn of 1931 was very large—over 17,000,00 bales. Prices declined from around 10 cents per pound early in the year to the very low price of 7 cents by September 1st, largely due to this over-production.

The crops of 1932 and 1933 were much less—around 13,000,000 bales, and world prices valued in pounds advanced from the low price of 1931. But dollar prices in the United States went to lower levels, reaching a low of 5½ cents per pound in 1932.

Rapid price recovery came in 1933 along with the recovery in the dollar value of the pound.

Effect of Variation in the Exchange Rate on Prices of Farm Products.

The deflation of world prices during 1930 and 1931 had reduced the prices of farm products to low levels when England left the Gold Standard in September, 1931. Thereafter, prices in the world market quoted in pounds remained quite stable at these levels, while prices in the United States quoted in dollars continued to decline as the exchange value of the pound declined.

tinued to decline as the exchange value of the pound declined.

The loss of agricultural buying power, due to the ruinously low prices prevailing, seriously added to the depression of industry.

Recovery in prices started when the United States left the Gold Standard in 1933 and prices advanced along with the dollar value of the pound.

Our surplus production of agricultural products must be sold in the competitive world market, and the prices received for the surplus largely determines prices for the much larger amount sold in our domestic market, (unless protection is given by such means as "export subsidies" to artificially increase domestic prices.) Prices of our farm products are therefore very sensitive to changes in the exchange rates of foreign currencies as they translate into dollars the prices received for our surplus production, sold in terms of foreign currencies.

The advance in agricultural prices during the second half of 1934 was due The advance in agricultural prices during the second half of 1934 was due to drought, resulting in very short crops and higher world prices.

Compiled by Walter A. Starr, San Francisco, Calif., May 9, 1939.

The Threat of Inflation

(Continued from page 1818)

affect prices generally will be more powerful than the special factors affecting individual prod-

There are four rather potent in flationary forces which will be at work during this period. They are: (1) The large money supply, (2) heavy deferred and potential demands for goods, (3) labor costs, and (4) Government spending and monetary policies.

The Money Situation

The first and perhaps the major inflationary force is the tremendous accumulation of money and dous accumulation of money and other liquid assets which can be turned into money. The following table shows that the liquid-asset holdings of business and individuals rose from \$66 billion in 1939 to about \$210 billion in the middle of 1945, an increase of \$144 billion. billion. The liquid assets shown here include currency, demand deposits, time deposits, and United States Government securities, about one-half of which are now savings bonds.

*LIQUID-ASSET HOLDINGS OF BUSI NESS AND INDIVIDUALS (In billions of dollars)

Sharp to the state of the state	1939 ~	1945	
	Dec. 30	June 30	Increase
Currency	. 6	25	19
Demand deposits	. 21	57	36
Time deposits		43	17
U. S. Government		7.50 (F. 16)	3
securities	12	85	73
Y No to the second			
- Matal	RR	210	144

Total ______ 68 210 144

*1939 figures from June 1945 Federal
teserve Bulletin, p. 533. 1945 figures are
stimates based on end of 1944 figures in
ame bulletin. Due to rounding the figtres do not always add to totals shown,

In addition to the above figures there are substantial additional holdings of liquid assets. On June 30, 1945, for example, the Federal Government had demand deposits of about \$24 billion and a like amount of Government securities in various trust accounts and agencies. Furthermore, state and local governments on the same date held over \$10 billion of cash date held over \$10 billion of cash and Government securities, a substantial part of which may no doubt be used for public works, improvements, and other outlays. If we should add to the totals shown in the table above, the deposits of the Federal Government, which are being small research. posits of the Federal Government, which are being rapidly converted into ordinary business and individual deposits, and the cash and Government holdings of state and local governments, it would bring the total up to \$244 billion at the middle of 1945 as compared with about \$71 billion at the end of 1939, an increase of \$173 billion. The liquid assets of miscellaneous holders would increase those figures considerably more. ures considerably more.

Liquid assets, of course, are not Liquid assets, of course, are not inflationary per se; their influence depends upon how they are used. If Government securities are held as investments outside the commercial banks and are not turned into cash to be spent, they are not inflationary. Time deposits represent mostly savings and are not spent so rapidly as currency or demand deposits and, therefore, do not have so much currency or demand deposits and, therefore, do not have so much influence on prices. No doubt deposits will continue to grow during the next two years and in the meantime U. S. Government deposits will be largely converted into ordinary business and individual deposits. A part of the growth in deposits will come from further deficit financing of the Government and a part from the liquidation of Government security holdings by corporations and ity holdings by corporations and individuals. To make these re-demptions the Treasury may have to borrow from the banks, there

plus supply and in some of these cases there may be some tendency for prices to decline. However, the broad inflationary forces that as we have witnessed for the past few years, would of necessity be followed by a corresponding rise in the national income. They looked upon the increased money supply as an activating force that would, of itself, stimulate a higher level of business activity, or highlevel of business activity, or alga-er prices, or both, so that the re-lationship between money and the national income would be maintained. This conclusion, how-ever, assumed a constant rate of turnover. More recently, other economists, observing that the re-lationship between the money supply and the national income was rapidly changing, and that the rate of turnover was declin-ing, have concluded that the volume of money has little, if any influence upon prices and, there fore, cannot be considered a se rious inflationary potential. Both viewpoints are extreme. It is probably fully as erroneous today to assume that the money supply has no influence on prices as it was formerly to assume that a fairly constant relationship would be maintained between money and the national income.

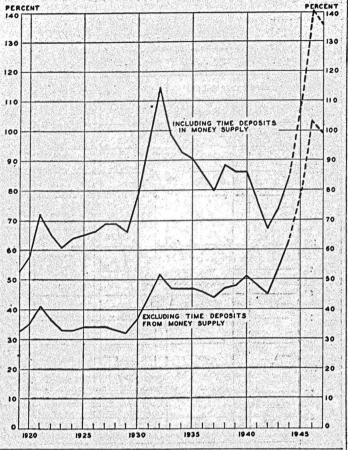
In order better to appraise the possible influence of this enlarged possible influence of this enlarged supply of money on prices, we have prepared a chart, showing the relationship between the country's money supply and the national income. There is a question, of course, as to what composes the country's money supply. Some students take only demand deposits adjusted plus currency outside of banks. Others would add time deposits, or at least make some adjustment in the figures for the influence of time de-posits. In order that the reader may take his choice and make his own comparisons, we have sup-plied two sets of figures for the money supply, one including time deposits and the other excluding time deposits. To demand deposits adjusted we have added U. S. Government deposits because they are as liquid as other demand deposits and are being rapidly converted into ordinary business and individual deposits. Because of the big shift from ordinary demand deposits to Government demants during user loop drives and posits during war loan drives and the reverse shift between drives, the figures would show undue fluctuations and would not be truly representative of the money supply if Government deposits were omitted. The figures on which the chart is based are shown in the table at the end of

The comparison has been extended to 1947 by estimating the figures for the next two years. We have estimated that the money supply will show a further sub-stantial increase (consisting of a stantial increase (consisting of a rise in deposits, as indicated above, offset by some fall in currency holdings), and that the national income will fall substantially from the high level reached during the first half of this year, a production decliner. as production declines. There has been a very wide range of estimates of the post-war national income, some high and some very low. In order to avoid the extremes we have taken a middleof-the-road estimate of \$135 bil-lion for 1947. This figure seems to be in or near the range of the more responsible estimates.

The chart shows the changes in the money supply as compared with the national income in the early 1930's and especially the rapid growth since 1942. If we exclude time deposits, the money supply was about one-third the national income in the 1920's. If by increasing deposits.

Some years ago many monetary students, noting that there was a close relationship between the come will be about three times as our estimates are correct, it will

MONEY SUPPLY AS PERCENT OF NATIONAL INCOME 1919 - 1947 (FIGURES FOR 1945 - 47 ARE ESTIMATES)



great as it was in the 1920's. If we include time deposits, the mo-ney supply will have doubled in relationship to national income, relationship to national income, that is, from around 65% in the 1920's to something over 130% in 1946 and 1947. Perhaps a fairer comparison would be to add only a part of time deposits, say 50%, to the money supply. In that case, the postwar ratio to national income will be about two and one-half times that of the 1920's. Little can be gained by attempting to tle can be gained by attempting to make elaborate statistical refinements; it is sufficient to conclude that the amount of money in the country in the next few years, in relation to the national income, will be from two to three times what it was in the 1920's. This reflects a much lower turnover of deposits and currency. If the turnover were the same as during the 1920's, the country's business could be carried on with about one-third to one-half of the money supply we will have in 1947.

With this expanded volume of money, plus the large accumulation of other liquid assets that can be turned into money, it is quite probable that for a year or so, or even more, expenditures will outrun the country's current production. In other words, there will be more dollars than goods. Investments will probably exceed current savings. In certain periods of the past, excess of investments over savings has arisen out of the over savings has arisen out of the expansion of bank credit. This time it will probably come not only from the expansion of bank credit arising out of deficit financing and business borrowing, but also from the spending of savings. savings.

The long-term inflationary potential of this accumulated money supply depends in large part upon the rate of turnover, i.e., how the rate of turnover, i.e., how many times currency and deposits are used in a year. No matter how rapidly deposits are spent, they are still deposits; there is no way for them to decline unless they are used to pay off bank loans or to purchase or retire securities held by banks. Gold imports or exports would of course increase exports would, of course, increase or decrease deposits, but it is assumed that if any major gold movement develops, its influence will be counteracted by the Fedness and the volume of money.

eral Reserve System, probably through open-market operations

Lower Rate of Turnover

There is little doubt that the extraordinarily large money sup-ply which has accumulated has a strong potential inflationary influence. At any time the turnover rate may rise. We need not con-clude, however, that runaway inflation is inevitable or that a large price rise is unavoidable, provided prompt and aggressive measures are taken to prevent it. There are doubtless a number of moderating circumstances or reasons why the existing money supply need not produce an excessive price rise. Much will depend upon business and governmental as well as individual policies. Political trends, public attitudes, and business confidence will continue. business confidence will continue to be important influences on investments and the volume of business and on the rate of turnover of bank deposits.

For one reason or another peo-ple may desire to hold substan-tially larger amounts of savings tally larger amounts or savings and liquid assets than formerly, which would mean a continuance of the low rate of turnover of money. The habit of carrying money. money. The habit of carrying larger balances by both individ-uals and businesses has become general. The rate of turnover may depend on whether these balances are still considered operating balances or whether in part they are considered cash accumulations to be spent as soon as goods are available; it will also depend in a measure on how long price con-

measure on how long price controls are continued.

A further moderate rise in prices and a further substantial increase in the production of goods might tend to dilute or weaken the pressure of the existing money supply. It is probable that in periods of very high business activity there may be a substantial increase in the rate of turnover of deposits and currency without a major rise in rency without a major rise in prices. Money itself might not necessarily be the activating force behind the higher volume of business; its role could be largely passive while business expansion creates a more normal relation-ship between the volume of busi-

On the other hand, the threat On the other hand, the threat of excessive price rises in commodities, securities, or real estate—culminating in a speculative boom—is always present when the money supply is greatly inflated. Certain Government controls have been set up to mitigate or curb excesses and people are aware of the dangers inherent in buying in an overpriced market. However, booms can get under way and gain momentum in spite past experience and precau-ns. A disturbing factor about the present inflated money sup-ply is that it is accompanied by other inflationary forces which may make controls and precau-tions more difficult and less ef-

Deferred and Potential Demands

The huge pent-up demand for goods, both in this country and abroad, will be a highly stimulating factor on both production and prices for two or three years, or possible more. This is especially true of durable consumer go of all kinds and some types capital goods.

There is probably no way of estimating the magnitude of the domestic deferred demands which the public will now want to satis-fy and which will cause them to spend some of their accumulated savings in addition to current insavings in addition to current income. Various polls and questionnairies indicate that the totals are very large. There is little doubt that shortages in dwellings, automobiles, radios, household appliances, and other durable consumer goods will require time to be made up. There are also to be made up. There are also substantial needs for capital goods for reconversion and expansion of plant and equipment.

There are several other factors which may stimulate consumer buying in the early postwar years. The liquidation of consumer debt during the war paves the way for a substantial increase in consumér credit. The big shift in popula-tion from farms to industrial cen-ters where standards of living are higher has created an additional potential demand for new homes with all the furnishings and equipment that go with them. The big increase in marriages will have a similar effect. Numerous new and similar effect. Numerous new and improved products in radio and television, plastics, textiles, house furnishings, and a host of others will doubtless stimulate a large amount of buying. Ten million discharged service men and womarries will be having now cutfite. en will be buying new outfits, and thousands of them will be setting up new businesses, or buy-

ing homes or farms.

Building activity may be retarded by high costs of materials and labor and by shortages of certain materials. There have already been cases where high costs have turned the scales against commercial construction. Construc-tion, therefore, may not be so much of a stimulating factor in the immediate future as is com-monly supposed. The demand for dwellings is pressing in many communities, however, and many people with accumulated savings may be willing to buy or build in spite of high prices. If the cost problem can be solved, the vol-ume of construction will probably

ume of construction will probably rise to new high levels and remain there for several years.

Inventory accumulations will no doubt be large for a year or two. Many manufacturers will have to build up new inventories the circles production. Discontinuous production Discontinuous production. have to build up new inventories for civilian production. Distributors' inventories of many durable goods are almost non-existent and often the non-durables are low in supply or made up of substitute materials which will be replaced. Thousands of small stores which closed during the war may reopen and buy new stocks. Inventories were built up with great rapidity in 1919 and 1920 and this was an important factor in the post-war important factor in the post-war

(Continued on page 1848)

Australia and New Zealand BANK OF **NEW SOUTH WALES** (ESTABLISHED 1817)

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Thomas I. Parkinson, President of The Equitable Life Assurance
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announced the appointment of
Leslie R. Shope as Advertising

Mr. Shope, a Colonel in the United States Army Air Force, recently returned from the South Pacific where during the past three years he served as the Army's director of public relations and was air center commander for New Caledonia. Prior to the war he was supervisor of sales promotion for The Equit-

Jewett & Shean to Be Formed in New York

Jewett & Shean will be formed in New York City as of November 1st. Partners in the new firm, which will hold memberships on the New York Stock and Curb Exchanges, will be Edward J. Shean, member of the Curb, who will acquire the Stock Exchange membership of the late Russell S. Cooney; Edward H. Jewett, member of the Curb; William P. S. ber of the Curb; William P. S. Earle, Jr., general partners; and John T. deBlois Wack, limited partner. Mr. Shean is a partner in E. J. Shean & Co. Mr. Jewett is an individual Curb floor broker; in the past Mr. Earle was with Winthrop, Whitehouse & Co.

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WASHINGTON, D. C.—Security Investors Corporation is being formed with offices at 1367 Connecticut Avenue, N. W., to engage in a securities business. Officers are Ralph Martin Newman, President: Walker Prout Buel. Vice-President; and Dorothy Mahon Newman, Secretary-Treasurer.

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OUR REPORTER'S REPORT

Just now the investment market is literally inundated by new bond issues growing out of refinancing operations by corporations seek-ing to get their securities to mar-ket in advance of the Tressury's Victory Loap Drive which gets Victory Loan Drive which gets under way a week from Monday.

But among those who know the temper of the market from their direct contact with it the concensus is that the public really is "equity-minded." As one such commentator put it "you can sell any kind of a stock deal under prevailing cir-cumstances."

He did not go on to offer any reason for the investors' evident preference for stocks. But that was scarcely necessary. In the first place the yield on high-grade bonds is scant to say the least and, on top of that, the volume of ac-tual new financing reaching market is infinitesimal when against the overall total of new

By far the bulk of such new securities represents merely the replacement of an outstanding obligation by a lower coupon is-sue. But then investors, eyeing widespread campaign for higher wages, are doubtless giving heed to the implications of inflation, controlled though it may be, in this trend.

It is recognized that corpora tions cannot go on indefinitely ab-sorbing the cost of such wage in-creases and that sooner or later prices must rise by way of com-pensation. This means that dollar pensation. This means that dollar income will lose proportionately in purchasing power.

Investors with fixed income bearing securities would be locked in under such circumstances whereas, it is reasoned evidently, holders of equities would stand a chance of working out through appreciation. ing out through appreciation marketwise of their holdings and perhaps by way of larger dividends where earnings would justify such distributions.

Mention Brings Rush

The mere mention that a firm has a stock offering on tap or even in prospect is said to be sufficient to bring in a rush of buying orders from investors.

The investment banker, naturally, is not particularly con-cerned whether he handles bonds or equities since his prime interest is in the opportunity to do business at a profit.

But circumstances surrounding financing have proven such, occasion, that bankers are on occasion, that bankers are none-too-keen about this type of

They find stock offerings dif-They find stock offerings difficult to handle in many respects. Invariably allotment is necessary to distribute the available supply as fairly as possible. But here, sometimes, trouble develops since allotments may be so small that many individuals lose interest and proceed to market wh they take down immediately.

Cincinnati Gas & Electric

It appeared probable that public offering of Cincinnati Gas & Electric Co.'s \$45,000,000 of 23/4% bonds, expected on the market today, might be made under the shadow of a protest by a second banking group which sought the issue in competitive hidding the banking group which sought the issue in competitive bidding on

The bonds, along with 270,000 shares of the company's pre-ferred stock were awarded to a group headed by Morgan Stangroup headed by Morgan Stan-ley & Co., Inc., and W. E. Hut-ton & Co. on a "basket bid" of 100.3391 for the bonds and 106 less \$1.72 a share compensation for the stock with a 4% divi-

This group also bid separately for each issue, offering to pay 100.41991 for the bonds and 107 less \$1.72 a share for the stock, as a 4.10% dividend payer.

Halsey, Stuart & Co., Inc., headed another group which bid 100.5859 for the bonds, but this bid was passed up by the company which awarded the bends and stock as a whele. The firm proceeded to inform members in the group that it playmed to proits group that it planned to pro-test the award of the bonds.

A Busy Day

Yesterday was a busy day for the underwriting fraternity with two substantial-sized issues, one a public utility and the other a railroad undertaking being up for competitive bidding.

Most interest centered around Most interest centered around the offering by Pacific Gas & Electric Co. of \$49,000,000 of re-funding 3s due to mature in 1977. The SEC recently declared it no longer a subsidiary of the North American Co., but the California Railroad Commission ordered the bonds sold in competition.

Three groups were in the running for the bonds, one headed by a West Coast firm, a second by a Chicago house and the third by a New York group.

Meanwhile the \$40,000,000 of new Kansas City Southern Railway first mortgage bonds was up ds promising to swell this aggregate of new offerings close to record levels.

Walston Hoffman Changes

SAN FRANCISCO, CALIF.—George A. Koch will be admitted to limited partnership in Walston, Hoffman & Goodwin, 265 Mont-gomery Street, members of the New York and San Francisco Stock Exchanges, effective Octo-ber 31st, as of which date John J. Lucas will retire from limited partnership.

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Bank and InsuranceStocks

This Week - Bank Stocks

By E. A. VAN DEUSEN

Statements for Sept. 30, 1945 of a group of sixteen leading New York City commercial banks reveal the fact that their aggregate earnings for the third quarter of 1945, including security profits, are 21.0% higher than for the third quarter of 1944. This is not surprising, for the trend of their earning assets continues to be upward, as was pointed out in this column on Sept. 20.

A comparison of principal earning assets, as shown on third quarter balance sheets of 1945 and 1944, is as follows:

AGGREGATE EARNING ASSETS OF SIXTEEN BANKS

		All securities	Loans & Discounts	Total Earning Assets
Sept. 30, 1944	14,331 15,015	(Million T 15,453 16,349	ollars) 4,513 5,600	20,215 22,187
Increase (dollars)(Percentage)	684 4.8	896 5.8	1,087	1.972

It is interesting to note that loans and discounts show a sub-stantially greater gain than do Governments and other securities. The accompanying table gives a comparison of the earnings and book values per share of each of the sixteen banks, for both quarters:

	Third Quarter	Indicated Earns.		k Value-
er telepholes i Carton Palace No.	Sept. 30, '44	Sept. 30, '45	Sept. 30, '4	4 Sept. 30, 45
Bank of Manhattan	0.55	\$		\$
Bank of New York	7.97	0.64	25.83	29.85
**Bankers Trust	1.05	9.36	369.70	431.69
Central Hanover	1.50	0.74 1.50	52.07	47.28
Chase National	0.73	1.19	100.45	106.46
Chemical Bank & Trust	0.84	0.93	38.33	40.69
Continental Bank & Trust	0.59	0.54	42.17	46.66
Corn Exchange First National	0.99	1.24	24.16	25.42
First National	25.79	30.06	50.45	52.73
Guaranty Trust	5.65	6.26	1,270.43 331.59	1,320.46
Irving Trust	0.27	0.33	21.61	344.79
**Manufacturers Trust	1.29	1.28	43.84	22.12
*National City	0.59	0.75	40.47	54.06
New York Trust	1.93	2.03	87.95	42.80
**Public National	1.16	1.25	50.49	91.68 49.00
U. S. Trust	16.13	16.16	1,522.11	1,530.33
*Including City Bank Fa	rmers Trust.	*See adjustment	n holom	2,020.03

Some capital changes have occurred since the third quarter of 1944 which necessitate adjust-ments to the above figures in cerments to the above figures in certain cases. Bankers Trust, for instance, declared a 20% stock dividend last December; the adjusted 1944 third quarter earnings thus become \$0.87 and book value \$43.40. Public National declared a 10% stock dividend in January, 1945; the \$1.16 of 1944 therefore is equivalent to \$1.05, and the \$50.49 book value \$45.90. Another important capital change was the retirement of all preferred stock retirement of all preferred stock by Manufacturers Trust and the increase of common shares from 1,650,000 to 2,062,500. Adjusted for this change, 1944 third quar-

ter earnings and book value are equivalent to \$1.03 and \$44.78.

It is also of interest to note other proposed capital changes other that have recently been an-nounced. Chemical proposes to increase capital stock from 2,000,000 to 2,500,000 shares (\$10 par) by a 25% stock dividend, and to maintain the current \$1.80 dividend rate, which thus be-comes equivalent to \$2.25. Continental also proposes a 25% stock

dividend, which will raise capital stock (\$100 par) from 400,000 to 500,000 shares, and to maintain the present 80-cent dividend rate, which becomes the / equivalent of \$1. The market for bank stocks has livened up during the past few

weeks, presumably in response to rumored and reported stock dividends as well as in anticipation of favorable third quarter figures. The American Banker Index was 45.7 in mid-September and 51.3 on Oct. 10; the appreciation is 12.2%. Between these dates Chemical moved from 593/4 to 69, an appreciation of 15.5%, and Continental from 2434 to 29, or 17.2%.

Correction-In the Oct. 4 issue of this column Guaranty Trust's percentage of capital funds to risk assets should have been 25.6% instead of 15.6%, and ratio of risk assets to capital funds, 3.9 instead

Manufacturing Bought-Sold-Quoted

Russell

Ann.Kidder&Ca

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Two New Bulletins

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The Threat of Inflation

(Continued from page 1846)

plant and equipment, and inven-tories, will be supplemented by heavy governmental outlays (State and local as well as Federal) for road construction, pub-lic works and improvements, public housing and health centers,

and for the armed services.

In addition to large domestic expenditures there will no doubt be large export balances for two or three years or more. Many war-torn countries need relief as well as enormous amounts of ma-terials for reconstruction and rehabilitation of their economies. Others, like the South American countries, which were unable to get the goods they wanted during the war, are now waiting until get the goods they wanted during
the war, are now waiting until
the goods are available to meet
some of their pent-up demands.
Not only does this huge potential
foreign demand for goods exist,
but in a great many cases the
countries have substantial funds
with which to buy our products.
The gold holdings and dollar balances of foreign countries are ances of foreign countries are well over \$20 billion.

Furthermore, this country con-templates making large amounts of loans- and credits to foreign countries so that they may buy our goods. The International Monetary Fund, the International Monetary Fund, the International Bank for Reconstruction and Development, and the Export-Import Bank will probably grant many billions of dollars of credits to be spent in this country. England is already negotiating for some \$3-\$6 billion of credits or financial aid of some kind. Russia would like to have \$6 billion. France, China, and many smaller countries are likewise seeking credits. The total granted may reach many billions. These credits, of course will be spent over a personner. course, will be spent over a period of years, but a substantial part may result in heavy demands for American goods during the next three years when our own shortages are being made up.

Great expectations are being entertained in some quarters re-garding the prospective rise of our post-war exports. Some estimates reach into the \$10-\$15 bilmates reach into the \$10-\$15 billion range. These expectations seem high, but if we grant the credits they may be reached. After the last war our net export balance aggregated nearly \$6 billion for the first two post-war years combined. This time they may aggregate that much each year, especially if we are generous with Covernment credits. ous with Government credits After the First World War our heavy net exports helped to ac-celerate the post-war rise in prices.

Labor Costs

A newer, but perhaps very po-tent inflationary influence, is rising labor costs. In former periods of expansion and rising prices it has been customary for prices it has been customary for wages to lag behind prices. During the war period, however, wages have run far ahead of price increases. This is likely to be the trend in the next few years. Instead of following the price rise, labor costs are likely to precede and accelerate the price rise. The growing power of the labor unions and the support that they receive from the Federal Government will make this one of the major factors in the price situamajor factors in the price situa-

The price of labor has risen over 40% since 1939.† The chart

tsumer H. Slichter. "Advistment of Wages During Conversion," Harvard Business Review. Vol. XXIV. No. 1, Autumn Number 1945, p. 57. It is not easy to measure changes in the price of labor. The Bureau of Labor Statistics estimates that straight-time hourly earnings of labor (excluding premium pay for overtime) have increased 56% since 1939. This figure, however, needs to be corrected for shifts from low-paying industries to the control of the state of the st

The expenditures for consumer given herein shows that labor coods, residential construction, lant and equipment, and inventories, will be supplemented by This, of course, is a very crude figure arrived at by dividing pay-rolls by the FRB index of production. That this over-all figure for labor costs may not be far out of line, however, is indicated by a study of "Productivity and Unit Labor Costs in Selected Manufacturing Industries: 1939-1944," prepared and published in May, 1945, by the U. S. Bureau of Labor Statistics. This study shows that the change in unit labor costs from 1939 to 1944 in 23 selected industries ranged from a decline of 7% in the ice cream industry duction. That this over-all figof 7% in the ice cream industry to an increase of 70% in lumber and timber products. The median change for the 23 industries was an increase of 42% and the arithmetic average showed an inthe crease of 40%. These were all industries in which the commodi-ties produced during the war were about the same as before the

Material and labor costs gether have risen nearly 54% per output since 1939, as in the accompanying shown in the accompanion of the price of manufactured than not kent pace chart. The price of manufactured goods, however, has not kept pace with these rising costs; the wholesale price index for finished goods has increased only 26% since 1939. Higher material and labor costs in wartime have been absorbed by overhead ecomies and the larger volume of business which permitted lower profit margins. profit margins.

With the elimination of war

production and the return to a somewhat lower output generally, remains to be seen whether industry can operate profitably at present prices with present labor costs. Wartime operations give little indication of the cost-price relationship that will pregive little indication of the cost-price relationship that will pre-vail in civilian production. Sales costs will no doubt be higher. Return to a normal work week and to a new level of output will and to a new level of output will probably raise other overhead costs per unit, while reducing labor costs somewhat through elimination of overtime, provided wage rates remain the same. However, labor unions already are demanding higher basic wage rates to make up for disappearing overtime and more. The OPA, on the other hand, expects new output to be priced substantially at the 1941 or 1942 level.

Apparently the economic plan-Apparently the economic planners in Washington favor increasing wages 40-50% during the next five years without increasing the prices of the products. This idea was publicized by Mr. William H. Davis when Director of Economic Stabilization. After an outbreak of expension of the product of t tion. After an outbreak of treme wage demands and strikes the President said that Mr. Davis was not speaking for the Adminwas not speaking for the Admin-istration. However, there is little doubt that the views expressed reflect a large body of Washing-ton opinion. The "Little Steel" formula has been abandoned, minimum wage rates will prob-ably be raised, and the doctrine of raising wages generally to of raising wages generally to stimulate purchasing power seems to have gained general acceptance in Washington. The virtual invi-tation extended to labor to ask for higher wages will no doubt lead to a series of wage demands which will gather momentum and lead to an important rise in labor costs.
The theory is that wage in-

creases are to be granted only when they do not result in price increases, but this is an untenable formula. It is very difficult to tell, certainly at this time, what wage increases might necessitate price increases. A wage increase that looks feasible today might necessitate a price increase six months hence. Costs vary widely (ANNUAL AVERAGES) MATERIAL COSTS UNIT LABOR COSTS PAYROLLS

COST AND PRICE INDEXES OF ALL MANUFACTURING

in the same industry and wage in the same industry and wage increases which might be granted by a low-cost plant might drive others out of business, decrease production, and create the unemployment which we are trying to avoid. If, on the other hand, whilely greeged increases are publicly sponsored increases are granted in some plants and not in others in the same industry, it would lead to discontent, strikes, and labor troubles generally.

It was common practice in in-

dustry in prewar years to grant wage increases without raising prices, but these increases were possible because of increased productivity of industry through proved techniques, new machin-ery, and better management. Over a long period of years the increase in the output per manhour has averaged around 2% per year. In some short periods of rapid mechanization the increase has been faster, but probably not more than double the average rate. The Davis proposal, however, would mean that output per man-hour would have to increase at the rate of 8½% per year, compounded, which seems quite impossible without raising prices. Furthermore, if the full increase in production is paid to labor, nothing is left to pass on to consumers generally in the form of sumers generally in the form of lower prices. Moreover, when all increments to production are captured quickly by labor or taxes, nothing is left to compensate or encourage the spirit of sate or encourage the spirit enterprise which is responsible for the new increments and for industrial progress.

The quickest and soundest way to relieve the price pressure is to increase the supply of scarce goods. This has already been demonstrated in the case of sevdemonstrated in the case of several commodities. Both the OPA price policy and labor strikes, however, are slowing up reconversion, retarding production, and accentuating price difficulties. It has become obvious that many commodities can be produced at OPA colling prices call at a less. commodities can be produced at OPA ceiling prices only at a loss and therefore production generally is being impeded. A little less rigidity in price policy would stimulate production.

squeeze on profits, a damper on investments further curtailment of production, and increased un-employment. The Government might undertake to offset this by public works and heavy expenditures, but these would be temporary emergency measures only and would not solve the problem of the cost-price relationships in industry.

Another alternative would be for the Government to permit prices to rise, and ultimately this is likely to be the course pursued. In fact, the price control powers last only until June 30, 1946, and are not likely to be extended by Congress, except in greatly modified form. The probabilities are, therefore, that by inviting and encouraging a rise in labor costs, the Government will start a price movement which may be difficult to control.

Government Spending and Monetary Policies

Government policies on the whole are strongly inflationary In addition to the labor and foreign lending policies mentioned above, the spending and monetary policies are also inflationary. Certain of the Government's ac-tivities, such as price controls, may be considered anti-inflationary, but these are largely tem-porary and may become less and less effective.

In his recent message to Congress, the President outlined a number of projects for aiding or subsidizing various segments of the nation's economy. No estimate of their cost accompanies the message, but if Congress follows these recommendations, the lows these recommendations, the expenditures will certainly involve many billions of dollars and will carry peacetime Federal spending far above the already high figures recomble taleans. high figures generally taken for granted.

The President proposed that war workers receive support dur-ing the period of reconversion unemployment, that Federal employees be granted substantial pay rises, and that unemployment less rigidity in price policy would stimulate production.

If the Government attempts to hold prices rigidly while labor costs are rising, it will mean a employment allowances for vet-passed.

It insurance be broadened in its coverage and payments be raised. It is implement allowance in the suggested the liberalization of providing full employment, but it remains to be seen what kind of bill is ultimately passed.

erans. He also asked for legislation making the Government responsible for the achievement of full employment.

Thursday, October 18, 1945

Further, the President favors disbursing more subsidies to agriculture, giving assistance to small business and to scientific re-search, and making additional contributions to housing and slum clearance. He advocates a na-tional health program for medical care and health insurance. He proposed that public power projects be expanded, more highways, airports and Federal buildings be constructed, and that Federal contributions be made to State and local governments to help cover the cost of their own public works, hospitals and health cen-

In the international field, the President asked for more funds for UNRRA and suggested further loans to foreign countries. He also recommended that strategic materials continue to be bought for stock-piling.

If and when the Government If and when the Government assumes responsibility for providing full employment, it means that this policy will be implemented by Government expenditures.‡ The very fact that a bill for this purpose is being consid-ered in Congress means that its sponsors and those who endorsed the bill in its original form have accepted the doctrine that private enterprise cannot provide a high level of employment and, there-fore, the Government must. They seem unwilling to permit the fa-vorable economic atmosphere that would enable private enterprise would enable private enterprise to succeed. They would deprive industry of most of its honest profits and then resort to Govern-ment spending to stimulate busi-ness and provide employment. Promises of security and general welfare have been made in the past by other governments to their people, but these have nearly always led to wasteful Government expenditures. Modern governments seem to be able to think of no solution for eco-nomic problems except public spending. For a time this seems like an easy solution, but sooner or later it leads to financial and monetary difficulties.

The danger in the present situation lies in the spending theories which are so well imbedded in Government thinking. Large public works and other Government expenditures may be undertaken at a time when everything is so favorable for the expansion of private business that it may be of private business that it may be difficult to prevent business activity from reaching boom proportions. If so, the Government will be feeding the fires of inflation. There has never been a time in the history of this country when there was less need for and more danger in Government expenditures to stimulate busiexpenditures to stimulate business. All that business needs now is assurance that it will not suf-fer too much from the crippling governmental and labor policies which are now retarding reconversion.

The general spending philosophy which has grown up in Washington, and which the Pres-ident now seems to support, will mean a continuation of deficit financing if it receives congressional support. This would be a real inflationary threat real inflationary threat. The worst of the inflationary devel-opments in Europe after the First World War came because the governments did not put their fiscal affairs in order after the cessa-tion of hostilities. For one reason or another they continued to run large deficits which resulted in

monetary chaos.

If the Treasury continues to run a substantial budget deficit on top of the huge credit and

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debt expansion which has already occurred, a substantial price rise will be inevitable. Because we have been able to hold prices down during the war while inflating the money supply, many Government officials and a part the public have been lulled of the public have been lulled into a false sense of security regarding spending and monetary policies. Caution has worn thin or almost disappeared. The doctrine has grown up in certain Washington quarters that we do not need to balance the budget, and that attempting to do so would lead to deflation. At this stage of the economy a more day. stage of the economy a more dan-gerous doctrine could hardly be conceived. It has in it the seeds of grave difficulties. Budget bal-ancing may be old-fashioned, but if history has any meaning at all, it is imperative if this country expects to avoid inflation and preserve the purchasing power of the dollar. Deficit financing and inflation nearly always go hand in hand.

in hand.

The Government's monetary policy also has an inflationary bias. By maintaining artificial and excessively low short-term rates and issuing a tremendous volume of short-term securities, the Government has depended upon banks for more of its war financing than necessary and has inflated bank credit more than inflated bank credit more than has been necessary. It is questionable whether this policy of excessively low short-term rates and the huge floating debt can be maintained without a continuous expansion of credit. ous expansion of credit. The Government is very generous in its other expenditures, but ex-ceedingly economical when it comes to paying interest on Government securities. Both policies are inflationary. If the Government were more economical in its general expenditures and a little more generous in its interest pay-ments to savers, it would be much less dependent upon bank credit.

Restraining Influences

There are two important anti-inflationary forces which restrain or moderate price rises and les-sen materially the full effective-ness of the inflationary forces outlined above. These are price controls and the increase in civilian production. Sales of sur-plus war products will influence selected types of goods but will probably have little bearing on

probably have little bearing on the general price level.

Price controls will probably help to restrain price increases during the next few months when demands are great and commodi-ties are scarce. This is a tem-porary factor, however, and as time goes on it will be harder and harder to impose rigid price contime goes on it will be harder and harder to impose rigid price controls on a peacetime economy. The life of OPA runs only to June 30, 1946, unless further extended by Congress. If price control is extended beyond that period, it will no doubt be on every much modified scale and restricted to a few commodities.

By the middle of part year

By the middle of next year, however, reconversion will have been about completed and the production of civilian goods will probably be rising rapidly. This country demonstrated a tremendous productive capacity during the war and will no doubt give a similar demonstration of its peacetime capacity during the next few years. Unless curbed by political interference and by political interference and labor difficulties, the rise in civilian production will be a very strong restraining influence on price increases. In 1947 the physical output of civilian goods might well be 50% above the 1935-1939 average. 1935-1939 average.

After two or three years of a big volume of production it seems probable that the upward pressure on prices may be relaxed considerably. No doubt the most acute shortages will have been filled and the principal bottlenecks cleared up. That does not necessarily mean an important

recession in business activity, however. It will probably take several years of good business for production fully to catch up with recession in business demands. Foreign buying, for example, may be very heavy for three or four years, or longer. It may take three or four years to catch up with the demands for automobiles and much longer for the construction bears to the construction bears to the construction. the construction boom to run its course. Furthermore, such a pe-riod of expansion usually gains momentum and creates new prod-ucts and new demands which help to extend the period of good busito extend the period of good busi-ness. There may be periods of hesitation and some slackening in activity, such as those of 1924 and 1927, but, unless the price situation gets out of hand, thereby producing a rapid but temporary boom of unhealthy proportions, the prospects are that a high level of business ac-tivity can be maintained for sevtivity can be maintained for sev-

Summary of Conclusions

It is impossible to weigh accurately the various influences bearing on prices and to predict with assurance what the course of prices will be. Much depends upon governmental spending, monetary, and labor policies. However, it appears that the forces pushing prices upward will be substantially stronger than the deflationary forces, at least during the next two or three years. Prices may be spotty during the period of reconversion and demobilization in the next few months, but it does not seem likely that there will be any material decline in the general price index. On the contrary, price contrals, may be maintained. index. On the contrary, price controls may be maintained in order to prevent a general rise in prices.

After a few months of reconversion, however, it seems probable that the general price level will move upward. How much it is impossible to say. There are substantial differences of opinion among the students of the sub-ject. Some think we may have a big rise over a period of years, say 40-50% or even more. Others say 40-50% or even more. Others think we may have a moderate rise of say 15-20% from the present level. I am inclined to go along with the latter view, but with many misgivings. The inflationary influence of the accumulated money would be accumulated. mulated money supply and other liquid assets could be gradually diluted by a moderate rise in prices and a substantial increase in the volume of business. This moderation, however, can be achieved only if the Government puts its fiscal affairs in order, makes some changes in monetary

NY Bank Comptrollers Meet

The New York City Conference of Bank Comptrollers and Auditors held their first regular meet-ing of the season October 16. Ed-ward N. Hay of the Pennsylvania Company was the guest speaker.

faster than the increase in pro-

duction.

The Government continues to inflate the money supply and labor costs, and at the same time tries to avoid the consequences of these measures by controlling prices. Such a policy can at best meet with only temporary suc-cess. Controlling prices in peace-time will prove a far more diffi-cult task than in wartime. Wages are the most important element of costs and it was discovered in the early days of the war that prices could not be stabilized without stabilizing wages. Furthermost it has been stabilized without stabilizing wages. thermore, it has never been possible to stabilize prices while continuing to follow a policy of deficit spending and monetary expansion. Neither drastic legislation nor the powers of dictators have been able to control tators have been able to control prices permanently under such conditions. Inflation cannot be prevented without remedying the causes. Attacking the symptoms will only postpone for a brief period the inevitable consequences of inflationary policies.

The gold standard imposed certain disciplines on our fiscal and monetary policies. We were realous of the value and integrity

monetary policies. We were jealous of the value and integrity of the dollar and, in peacetime at of the dollar and, in peacetime at least, we avoided policies that tended to depreciate the dollar and break down the monetary standard. Under our managed currency system, however, there are no such disciplines or restraints. It becomes harder and harder to resist the pressure groups. The easiest course seems to be more and more Government spending. Apparently the lessons of history mean little or nothing and we may have to learn the hard way.

The longer-run outlook for prices depends upon how far and how fast they move during the next two or three years. If the situation gets out of hand and we have a rapid run-up in prices, then we are likely to have a substantial setback when the boom is over. If, on the other hand, the rise is moderate and not too fast the indexes may level off on a higher plateau and remain comparatively stable. In any case, it policy to prevent excessive expansion of bank credit, and does not attempt to push wages up seems improbable that prices will return to the prewar level, at

MONEY SUPPLY AND THE NATIONAL INCOME 1919-1947

	(Am	ounts in mil	lions of dol	lars)	WAR TONE		
	All The Granes			Supply	Money Su	pply as %	
		*National	-as of	June 30	of National Income		
		Income	†Excluding	Including ;	Excluding	Including	
		(Calendar	Time	Time	Time	Time	
		Year)	Deposits	Deposits	Deposits	Deposits	
1919		67,300	22,182	35,605	33	53	
1920		69,300	24,025	39,859	35	58	
1921		52,300	21,208	37.791	41	72	
1922		60,100	21.561	38,998	36	65	
1923		69,700	23.024	42,746	33	61	
1924 1925		69,600	23.251	44,510	33.	64	
1925		74,400	25,129	48.323	34	65	
1920		76,500	25.829	50,570	34	66	
1927		75.800	25,764	52,229	34	69	
1928 1929		79,600	26.152	54,678	33	69	
1929		83.326	26,560	55,171	32	66	
1930		68.858	25,397	54.389	37	79	
1931	-2	54.479	23,922	52,883	44	97	
1932		39.963	20,659	45,415	52	114	
1933	12700 - 2370	42.322	20,024	41,680	47	99	
1934		49,455	23,086	45.961	47	93	
1935	La Bartaga	55.719	26,027	49,881	47	90	
1936		64.924	30,144	55.052	46	85	
1937		71.513	31,353	57,258	44	80	
1938	1.003.07	64.200	30,329	56,565	47	88	
1939				60.943	48	86	
1940		77.574	39,489	66.952	51	86	
1941			46,274	74,153	48	77	
1942		122,200	54,643	81,963	45	67	
1943		149,400		110,161	54	74	
1944		160,700			63	85	
1945		§150.000	\$119,000			109	
1946		§125,000	\$129,000		103	141	
1947		§135.000		\$183,000	99	136	
"Kuznets' figures i	or 1919-	1928 as adi	usted in R	nking Stud		1 Peserve	
System, 1941, p. 453,	to make	them com	parable wit	h later seri	es For	1929-1944.	
estimates are those of	the II S	- Denartmen	t of Commi	erce	ca. FUI	1040-1044,	
tDemand denosite					d	. outeldo	

themand deposits adjusted, U. S. Government deposits and currency outside banks.

Includes deposits in mutual savings banks and the Postal Savings System, as well staff. In the group at the dinner stime and savings deposits in commercial banks.

SEstimated.

DIVIDEND NOTICES



A quarterly dividend of ten cents will be paid on Hallicrafters common stock on November 15th to stockholders of record of November 1st.

Manufacturers of radio and electronic equipment



MARQUETTE

Pere Marquette Railway Company

A dividend of \$1.25 per share on PRIOR PREFERENCE STOCK will be paid November 1, 1945, to stockholders of record at the close of business October 5, 1945, in payment of the accumulated dividend on said stock at the rate of 5% per annum from May 1, 1938, to July 31, 1938, inclusive. Transfer books will not close.

II. F. Lohmeyer, Secretary

Honors to Members of Staff of Chase Bank

A dinner in honor of the 940 members of the Chase National Bank staff who have served the bank stair who have served the bank 25 years or more was held in the grand ballroom of the Wal-dorf-Astoria Hotel on Oct. 10. Winthrop W. Aldrich, Chairman of the board, and H. Donald Campbell, President, were hosts to a group of 871 men and women in attendance. A number were absent due to illness, three are abroad on military service leave, and 32 are on the staff of branches overseas. Of the 940 persons in the 25-year class, 143 are women and 797 are men. Of the men, 222 are officers of the bank, most of them promoted from the ranks. In the aggregate, the service record of the entire group exceeds 28,500 years.

Following the dinner Mr. in an informal address gave his impressions of his recent trip to London, Holland, Belgium, Paris, Berlin and Prague. Mr. Campbell spoke briefly on the sentiment and traditions of the occasion. He announced that occasion. He amounced that when available, commemorative gifts will be presented to all members of the 25-year group, who will be invited to express their personal preferences for a gold watch, a silver tea or coffee set, a gold pen and pencil set, or a silver tray.

Sixty members of the Chase organization have served 40 years or more, and nine have passed the 45-year mark. The longest service record is held by August H. Tiemeyer, Assistant Manager of the Produce Exchange Branch, 25 Produce Exchange Branch, 25 Broadway, who reached the halfcentury anniversary date on Oct 17. Miss Isabel McCosker, Man-ager of the Chase Safe Deposit Company branch at 115 Broad-way, is first in length of service were hundreds who started their

NATIONAL DISTILLERS PRODUCTS CORPORATION



The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the out-standing Common Stock, payable on November 1, 1945, to stockholders of record on October 15, 1945. The transfer books will not close. THOS A CLARK

September 27, 1945

banking careers with the Mechanics & Metals National Bank, the National Park Bank, the Seaboard National Bank, the Equitable Trust Company and one or another of the many banks which have become part of the Chase through margers during the part through mergers during the past several decades. A number of those present had been on the staff of three or four banks dur-ing the course of these mergers. Altogether, the 940 veterans rep-Altogether, the 940 veterans represent approximately one-seventh of the entire Chase organization of executive, clerical, building and service personnel. Frank M. Totton, Second Vice-President of the Bank, presided as master of ceremonies at the dinner.

Seymour Rosenberg in S. Weinberg Dept.

S. Weinberg & Co., 60 Wall Street, New York City, announce that Seymour M. Rosenberg, re-cently returned from the armed forces, has become associated with them in their trading department: In the past Mr. Rosenberg with Bendix, Luitweiler & Co.

Garvin Shields With Central Nat'l Gorp.

Central National Corp., 22 East 40th Street, New York City, an-nounces that Garvin K. Shields has become associated with their unlisted securities department. Mr. Shields was formerly with Goodbody & Co., and Laird, Bissell & Meeds.

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Passavant Joins Staff of Maxwell, Marshall & Co.

(Special to THE PINANCIAL CHRONICLE)

LOS ANGELES, CAL.—
Raymond Passavant, Jr. has become associated with Maxwell,
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Street, members of the Los Angeles Stock Exchange, Mr. Passavant, Passa vant was formerly with Bank america Co. and Banks, Huntley & Co.

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Railroad Securities in Peace Time

An Address by Patrick B. McGinnis

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Railroad Securities

New York Central common is one of the minority of railroad stocks, outside of the strictly investment category, which is not by now selling for at least double the price it commanded at the beginning of 1944. Throughout the war boom in speculative railroad securities it has consistently been laggard in relation to other rail equities of roughly similar caliber, and this relatively unfavorable action has been continued in the current year to date. While Central common is still less than a third higher than the year's low, Coast Line is up 45%, Southern 55%, Northern Pacific 66% and Illinois Central 85%. While holders of Central stock have seen their stock advance their experi-

their stock advance their experience on the whole has been disappointing.

appointing.

Probably one of the major reasons for the failure of Central to respond so strongly as other rail stocks to the improved status of the entire industry may be found in the extent to which Central's in the extent to which Central's war time prosperity has been based on the rise in passenger business. Even those most optimistically inclined towards the future of the railroads are convinced that passenger business must necessarily decline sharply as our armed forces are demobilized and as competitive transized and as competitive transportation agencies again get into full operation. There appears to be no question but that the air lines in particular, with their lowered rates and prospective even faster schedules, will be a much more severe competitive threat after the war than they were before.

New York Central has always done a pretty heavy passenger business and in normal times this business and in normal times this business consistently shows losses. Last year passenger revenues accounted for about a quarter of system gross. Actual passenger revenues were up more than 200% from 1940, the rise accounting for some 35% of the gain in gross revenues during the period. While passenger revenues were expandpassenger revenues were expanding more than 200% the service rendered, as measured in passenger train miles, increased less than 12%. In other words, the gain in revenues was accomplished largely through getting a heavier load on existing trains.

heavier load on existing trains.

Obviously, a heavier load on existing trains does not involve a corresponding increase in the cost of operation. A very substantial proportion of the increased gross under such conditions can be car-ried through to net before taxes. Indicative of how important this York Central in 1940 reported a deficit of over \$4,500,000 in net railway operating revenue assignable to passenger business and in 1944 reported a profit of close to reason.

gain in net operating revenue dur-ing the period. If Central's pas-senger business should revert to pre-war levels the effect on net earnings would obviously be quite serious.

The big trouble is that just as The big trouble is that just as there was no necessity for expanding service in line with the increased gross there will be no opportunity to curtail service as the business falls off. It will merely be a reversal of the process of the last few years, with deterioration in the load factor the primary result of less passenger business. result of less passenger business. It may be expected, then, that when, and if, passenger business does fall off there will be an even more rapid melting away of the profit margin in this service. As a matter of fact if passenger business were to return to pre-war levels it would be even a greater drag on system earnings than it was in the past. Inherently the labor cost in passenger business is relatively high and wages have been advanced materially since

It is probable that costs have not as yet completed their upward spiral. Wages appear almost certain to be boosted again in the near future. At the same time it is generally conceded that passenger service facilities will have to be improved if the railroads are to retain even a reasonable. are to retain even a reasonable proportion of the available busi-ness. This improvement will naturally mean spending money. Regardless of what may be done in the way of increasing freight rates the way of increasing freight rates to compensate for higher costs there are few who would seriously consider the possibility of increasing passenger fares. On the contrary there is a large element in the industry which believes that fares will have to be reduced to attract business. In the light of Central's position with respect to passenger business it is small wonder that its stock has consistently fallen behind the procession in recent years. There are many rail analysts who believe that it will continue to turn in a that it will continue to turn in a poor performance for this same

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Andersen Pres. of Blair Organizations

Jonas C. Andersen was elected President and a director of Blair & Co., Inc., and Blair Securities



Corporation, 44 Wall Street, New York City, at meetings of the boards of directors of the two investment banking firms.

At a meeting of the directors of Blair Securities Corp., Hearn W. tion.

D. A. Pincus & Co. To Be Formed in N. Y.

D. A. Pincus & Co., New York Stock Exchange firm, will be D. A. Pincus & Co., New York Stock Exchange firm, will be formed as of November 1, with offices at 30 Broad Street, New York City. Partners will be David A. Pincus, Clayton Snyder, the Exchange member, and Edward A. Robner. Mr. Pincus and Mr. Snyder were formerly partners of Charles Clark & Co., with which Mr. Robner was also associated in the municipal trading department.

A. M. Farley Dies

Andrian M. Farley, Vice-President and account executive of Albert Frank-Guenther Law, Inc., advertising agency, 131 Cedar Street, died at Doctors' Hospital after being stricken Monday afternoon at his office. Mr. Farley, who was fifty-seven, had been with Albert Frank-Guenther Law for the past twenty years.

Streat and Albert J. Bright were elected directors of that corpora-

NOTICE OF REDEMPTION

To the Holders and Registered Owners of

Southern Pacific Railroad Company

First Refunding Mortgage Gold Bonds, Due January 1, 1955.

First Refunding Mertgage Gold Bonds, Due January 1, 1955.

NOTICE IS HEREBY GIVEN that, in accordance with the terms of the said Bonds and of the First Refunding Mortgage dated January 3, 1905, executed by Southern Pacific Railroad Company and Southern Pacific Company to The Equitable Trust Company of New York, as Trustee (under which Mortgage The Chase National Bank of the City of New York is now Successor Trustee), Southern Pacific Railroad Company has elected to exercise its right to redeem, and will pay and redeem on January 1, 1946, all of the Southern Pacific Railroad Company First Refunding Mortgage Gold Bonds, due January 1, 1955, outstanding under and secured by said First Refunding Mortgage at 105 per cent. of the face value thereof, with accrued interest thereon to January 1, 1946.

On January 1, 1946, there shall become and be due and payable upon all of said Bonds, at the agency of the Railroad Company, annely, The Chase National Bank of the City of New York, Successor Trustee under said Mortgage, 11 Broad Street, New York 15, New York, the principal thereof, together with accrued interest thereon to January 1, 1946, and a premium of five per cent. (5%) upon the face value of said Bonds. From and after such redemption date of January 1, 1946, ill interest on said Bonds shall cease to accrue, and the coupons for interest maturing subsequent to said date shall be and become void.

Holders and registered owners of the above-described Bonds should present and surrender them for redemption and payment as aforesaid on or after January 1, 1946, as tasid agency of the Railroad Company, with, in the case of coupon Bonds, all coupons maturing subsequent to January 1, 1946, at tached. Coupons due January 1, 1946 are yas accompany said Bonds when presented for payment or may be presented for payment in the usual course. In the case of registered Bonds when presented for payment or may be presented for payment in the usual course. In the case of registered Bonds should be accompanied by proper instruments of as

SOUTHERN PACIFIC RAILROAD COMPANY, By J. A. SIMPSON, Treasurer,

Dated: September 26, 1945.

PREPAYMENT PRIVILEGE.

Holders and registered owners of the above-described Bonds desiring to receive prior to the redemption date payment of the full redemption price (including premium and accrued interest to January 1, 1946), may do so upon presentation and surrender of said Bonds in the manner prescribed in the foregoing notice, at The Chase National Bank of the City of New York, 11 Broad Street, New York, 15, New York, the agency of the undersigned.

SOUTHERN PACIFIC RAILROAD COMPANY,

By J. A. SIMPSON, Treasurer.

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Long Term Forces Affecting Stocks Hirsch & Co. Answer

(Continued from page 1821)

\$16,931,000,000. Coincidental with this expansion, bank deposits increased greatly, an important factor to the whole economic pictor. this expansion, bank deposits increased greatly, an important factor to the whole economic picture, so that there is now a superabundance of credit available to the public.

A portion of the money and credit has been used by the public to purchase securities, first discount bonds, then discount preferred stocks, and at the present time common stock equities. This demand for securities has resulted importantly from the continuous shrinkage in the purchasing power of the dollar, causing investors to seek a means to offset this shrinkage by buying securi-ties capable of price appreciation. Therefore, the same demand

factor for securities, in a multi-plied form, exists today as existed in the bull market of 1920-1929.

Source of Supply

In the culmination stage of the bull market of 1920-1929 the capital gains tax was at the rate of tal gains tax was at the rate of 12½%, after specified exemptions, and, although appreciably lower than the present maximum rate of 25% on long-term gains, with short-term gains considered as current income, loomed large to investors who had substantial

In fact, in 1929 the capital gains tax was an important reason why so-called insiders who owned large blocks of corporate securilarge blocks of corporate securities did not dispose of them. This reluctance to sell occurred in spite of the fact that the insiders believed that their shares were selling at values far in excess of the most optimistic price-earnings ratio estimates. Moreover, these insiders being, as a rule, large holders, would not supply stock to the market in view of the abundance of money and credit afforded by the Federal Reserve System, because they did not wish to risk losing practical voting control of their corporations.

Today the capital gains tax is a high hurdle to be overcome for

high hurdle to be overcome for the potential seller or supplier of stocks, because he must pay 25% of his profits to the Federal Government (to say nothing of State taxes), so if profits are taken and

Hence it is evident that the capital gains tax is an effectively restricting influence, withholding the supply of stocks to the market. At the present time there is little to indicate that the capital gains tax will be modified, and since there does not seem to be any large amount of new equity financing of an investment grade, due to the large cash resources of the well-established industrial companies and their ability to finance through low-rate bond and preferred issues, the supply of common stocks is likely to remain relatively limited for some time to come. time to come.

The public generally has a lim-The public generally has a minimized knowledge of the economic forces controlling supply and demand, but rather is influenced and made uncertain by the news events occurring from day to day. These minor factors may cause irregularity and even substantial market reactions. Opportunity to purchase stocks is afforded by reactions in market prices when the fundamental forces, as they do now, so clearly indicate a long-term uptrend.

Other Bullish Factors

In support of the underlying bullish indications given above, both supply and demand, there are certain factors which make the nearby development of a major bear movement unlikely.

- 1. Savings by individuals un-precedented in amount.
 2. The present tax cushion and expectation of drastic tax
- 3. Margin requirements
- 15%.
 4. Deferred demand for goods.
 5. No wild price inflation.
 6. No large private debt.
 7. Strength of financial institution.
- tutions.

 8. Financial strength of corpo-
- rations.

 9. No inventory accumulations.
 10. Foreign trade low, but pros-
- pects great.

 11. Guarantee of bank deposits.

NOTICE OF REDEMPTION

to the holders of

NORTHERN PACIFIC RAILWAY COMPANY

REFUNDING AND IMPROVEMENT MORTGAGE 6% BONDS,

SERIES B. DUE JULY 1, 2047

NOTICE IS HEREBY GIVEN that Northern Pacific Railway Company has elected to redeem and pay off on January 1, 1946, all of the above-mentioned Kefunding and Improvement Mortgage 6% Bonds, Series B, at 110% of their principal amount, together with accrued interest on such principal amount to said date, in accordance with the terms of said bonds and the provisions of Article Ten of the Refunding and Improvement Mortgage, dated July 1, 1914, from Northern Pacific Railway Company to Guaranty Trust Company of New York and William S. Tod, Trustees, and that on January 1, 1946, there will become and be due and payable upon each of said bond at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, N. Y., the principal thereof, together with a premium of 10% of such principal amount, and accrued interest on such principal amount to said date. From and after January 1, 1946, interest on said bonds will cease to accrue and any coupon for interest appertaining to any such bond and maturing after said date will become and be null and void.

Coupon bonds should be presented and surrendered for payment and redemption as

Coupon bonds should be presented and surrendered for payment and redem ifor-said with all coupons payable July 1, 1946, and thereafter attached. Coupons due 1, 1946, may be detached and presented for payment in the usual manner. Interest due 1, 1946, on fully registered bonds will be payable only upon surrender of such bond lemption. Registered bonds, in cases where payment to anyone other than the registere s desired, must be accompanied by proper instruments of assignment and transfer.

NORTHERN PACIFIC RAILWAY COMPANY

A. M. Gottschald.

New York, N. Y., September 26, 1945

Secretary

OFFER OF PREPAYMENT

so upon presentation and s grated, in the Borough ntation and surrender of said bonds at the Borough of Manhattan in The City of New upons attached.

SEC Charges

A partner of Hirsch and Company in an interview yesterday commented on the proceedings brought against his and three other firms by the SEC for alleged margin rule violation, as follows: "Our only information as to the proceedings instituted by the SEC before the U. S. District Court in Cleveland is derived from a Dow-Jones Ticker Report and from this morning's newspapers. It appears that certain cash purchases were made by us on the New York

Conclusion

Conclusion

The real basic causes of the 1928-1929 boom were two acts of the Government; first, the Federal Reserve System, the fountain of credit, supplying the funds to create the demand, and, second, the capital gains tax, which restricted the supply of stocks and caused the people who knew values to hold stocks even though they were obviously over-priced. Today these two basic factors for higher security prices are not

for higher security prices are not only present as they were in 1928-1929, but they are present with multiplied force.

A time to be fearful about the stock market will be when either of these fundamentals is changed or these fundamentals is changed so that demand is greatly reduced or the supply of stocks is broadly increased. No such conditions appear likely in the foreseeable future.—Reprinted from the Oct. 11, 1945, issue of "Investment of the oct." In the oct. Timing," published by the Economics and Investment Depart-ment of the National Securities and Research Corporation, New York. N. Y.

Stock Exchange for the First Mastock exchange for the First Mahoning Company, an investment concern, and by a Mr. Richard C. Brown, an officer of the corporation, both of Youngstown, Ohio. In making delivery of the purchased securities we followed our customary procedure with respect to cash purchases made in New York. customary procedure with respect to cash purchases made in New York for customers located in the Ohio area. In each instance the securities were shipped to a trust company in Cleveland, where our firm has its Ohio account, with instructions to ship the securities, with the trust company's draft attached, to a Youngstown bank, for delivery against payment of the draft. On payment of the drafts the payments were to be credited to our account with the trust company; and advices were received from time to time from the trust company showing that the drafts had been paid and the payments had been credited to our account with it.

"Savgeal ments, paice to the our account with it.

"Several months prior to the first purchases of securities by us for the First Mahoning Company or Mr. Brown, the trust company had been advised by us in writing that each of its drafts would have to be paid within seven days offer. that each of its drafts would have to be paid within seven days after the date of the purchase of the securities to which it related, and the trust company was directed to notify our Cleveland office if any draft had not been paid on the 6th day after the date of the purchase. This the trust company agreed to do. Through oversight, it did not perform its agreement in that regard, since at no time did we receive notice of the non-payment of any of its drafts. This payment of any of its drafts. This oversight on the part of the trust company is doubtless explainable by the fact that all the drafts were paid, that in most instances payment was made a very few days after expiration of the 7-day pe-

riod, and that at no time was any large amount involved in drafts that had not been promptly paid.
"The First Mahoning Company and Mr. Brown were customers of ours for a period of only 12 months, and the aggregate amount involved in all their transactions with us over the entire period was only about \$285,141, as distinguished from the \$1,250,000 mentioned in the newspapers. In June, 1945, we learned, for the first time, that the drafts of the trust company had not been paid on time; whereupon we promptly closed their accounts, and have since had no transactions with or for them of any kind.

closed their accounts, and have since had no transactions with or for them of any kind.

"Although it seemed likely that the 35-day rule of the SEC applied to purchases of the kind above mentioned, in our instructions to the trust company we expressly specified a 7-day period, so that they would also be within the 7-day rule. Needless to say, if the 35-day rule is applicable, none of the transactions involved even a technical violation."

The show cause orders were issued Tuesday by Judge Robert N. Wilkin of the U. S. Court in Cleveland in connection with three companion cases instituted by the SEC. Violations of Regulation T under the Securities Exchange Act were alleged. The defendants must show cause why preliminary injunctions should not be entered against them at a hearing in Cleveland on October 31 preliminary injunctions should not be entered against them at a hear-ing in Cleveland on October 31. In addition to Hirsch and Co., they are: Butler, Wick and Co. and S. T. Jackson and Co. of Youngs-town; A. E. Masten and Co. of Pittsburgh, and their customers, Richard C. Brown and the First Mahoning Company of Youngs-town. Mr. Brown is Secretarytown. Mr. Brown is Secretary-Treasurer of First Mahoning, an investment concern.

GREAT NORTHERN RAILWAY COMPANY

General Mortgage Gold Bonds

SERIES E, 41/2%, DUE JULY 1, 1977

Great Northern Railway Company has irrevocably directed The First National Bank of the City of New York to publish appropriate notices calling for redemption on July 1, 1947 the entire issue of the above mentioned Series E Bonds then outstanding at 105% of principal amount plus accrued interest to said date.

Great Northern Railway Company hereby offers to purchase said Series E Bonds from the holders thereof up to and including December 31, 1945, excluding Saturdays, Sundays and holidays, at prices dependent on the date of delivery for purchase, such prices decreasing from 111.99% of principal amount as to Bonds delivered on September 24, 1945 to 110.93% of principal amount as to Bonds delivered on December 31, 1945, to yield in all cases 1/2% to July 1, 1947, the date of redemption. Accrued interest at $4\frac{1}{2}$ % per annum from July 1, 1945 to the date of purchase will be added in each case. The Company has prepared a table showing the price so payable as to Bonds delivered on each day (other than Saturdays, Sundays and holidays, which days are not delivery dates) from September 24, 1945 to and including December 31, 1945 and will be glad to advise bondholders thereof upon request. Holders of said Series E Bonds desiring to accept this offer should deliver their Bonds with all unmatured appurtenant coupons to The First National Bank of the City of New York, at its office, No. 2 Wall Street, New York 15, N. Y. against payment of the purchase price and accrued interest as aforesaid.

SERIES I, 33/4%, DUE JANUARY 1, 1967

Great Northern Railway Company has irrevocably directed The First National Bank of the City of New York to publish appropriate notices calling for redemption on January 1, 1946 the entire issue of the above mentioned Series I Bonds then outstanding at 104% of principal amount plus accrued interest to said date.

Holders of said Series I Bonds may immediately obtain the full redemption price thereof including accrued interest to January 1, 1946 by surrendering such Bonds with all unmatured appurtenant coupons to The First National Bank of the City of New York, at its above mentioned office.

GREAT NOBTHERN RAILWAY COMPANY

St. Paul. Minnesota. September 24, 1945 By F. J. GAVIN, President

The Financial Outlook

(Continued from page 1819)

tities. Even though some \$10 billion of this consists of tax anticipation notes, it seems clear that ultimately from \$15 billion to \$20 billon of these securities will be shifted directly or indirectly to the banks as business needs funds for one purpose or another. This will increase deposits.

2. Of the \$46 billion of savings 2. Of the \$46 billion of savings bonds now outstanding, \$13 billion consists of F and G bonds in which the rate of redemption will be slow. Of the \$33 billion of E bonds sold, \$11 billion is in denominations of \$500 to \$1,000, and here, also, the redemption rate is considerably less than in the invester bonds. But redemption of smaller bonds. But redemption of the balance of \$22 billion of E bonds may be expected to continue, in fact, may possibly accelerate. All in all, at least 25% of the total of series E, F and G bonds will probably be redeemed.

This means more securities sold This means more securities sold to banks, which means increased

3. Banks will continue to play an important role in financing the budget deficits. This will increase deposits.

4. The gold flow has been re-

versed, and imports and releases from earmarking are once more greater than exports and ear-marking. The other nations of marking. The other nations of the world have more gold than is generally realized. They need our goods desperately—so, unless an-other lend-lease system is devised, we may expect the inflow to the banks to become a golden torrent. This will increase deposits and re-

5. The return flow of currency from abroad will be much heavier than most bankers expect. This will increase deposits and reserve

balances.

6. The disappearance of the black market, increasing unem-ployment, and migration of workers will cause pocket money in large volume to return to the banks. After the Christmas shop-ping season, if not before, a return flow of currency from do-mestic holders should start in volume. This will increase deposits and reserve balances. Par-enthetically, may I remind you that \$4.7 billions of currency did the job in 1929 whereas we have \$28 billions in circulation now. Obviously, such a swollen total Obviously, such a swollen total could be the source of an enormous increase in deposits.

While there are still other fac while there are still other rac-tors which will tend to increase deposits, the foregoing seven amply warrant my conclusion. But mark this: Opposed to these six powerful forces increasing de-posits I do not know of a single economic factor of any conse-quence which will reduce deposits.

Shifting of Deposits

While the grand total of deposits for the country will increase in the next 12 months, there is bound to be a great deal of shifting of deposits, criss-crossing from bank to bank and from one section of the country to another as workers return home and as industry shifts to secure competitive advantage. Uneco-nomic plants and plant locations will be abandoned.

While deposits will leave New England for Detroit and Dayton and South Bend, on balance, New England, in my opinion, will gain more deposits than she loses. As you know, the volume of deposits in New England did not increase during the war anything like as much as in the rest of the country. much as in the rest of the country. that one, Pat. We'll other sections of the country proone in the next block!

(Continued from page 1819)
derstand clearly is that total deposits will continue to increase for some time. There are several reasons for this. Let us look at the more important ones:

1. Business, other than banks and insurance companies, holds \$32 billion of government securities. Even though some \$10 billion of this consists of tax anticipion of this consists of tax anticipion of the security of these deposits should be extremely favorable to New England. Frankly, when I look at the enormous wartime increase in deposits in, say, California and then give a thought to the peacetime prospects of the the peacetime prospects of the aeroplane manufacturing industry, which are placed at 5 to 10% of war volume, I do not see how New England can fail to gain a large volume of deposits at the expense of such "hothouse"

In addition to this over-all countrywide, leveling process, New England deposit growth will be favorably affected by certain special factors. Thus, New England is the center of small manufacturing in steel, iron, brass, copper, and other metals which profit handsomely from the building boom which promises to sweep the entire country.

I also look forward to a boom in travel in America. I have a curious theory that the travel backlog is more real than some of the consumer goods backlogs. of the consumer goods backlogs. Abolition of gasoline rationing and the gradual elimination of railroad and plane accommoda-tion restrictions will permit this travel revival to get under way, and the return of tourists to New England will certainly increase local deposits.

Trade with Europe promises to be in large volume in the near future, at least. International trade and revival of shipping will be especially favorable to the growth of New England deposits

And last, and most important New England is a great center of investors. Income from this source will continue to swell de-

putable that total deposits of the country will increase in the coming year. It seems even more indisputable (if that is possible) that deposits in New England will increase, particularly during the next 12 months.

Outlook for Bank Loans

Now, let us analyze the outlook for loans. The volume of loans should increase but no one can be certain, as this will depend almost entirely on the bankers them-selves. Positive action will be necessary to secure loan volume. New methods and new attitudes are imperative if bankers are develop the potentialities of loan field because the loan field has changed! When it comes to loans, too many bankers act like the retired judge who was elected cashier of the local bank. A man presented a check to be cashed. "Don't know you," greeted the new cashier. The customer presented a credit card, a business card, and a lot of letters addressed card, and a lot of letters addressed to himself. "Not sufficient iden-tification," said the cashier, push-ing the check back. "Why, Judge," protested the man, "I've known you to hang a man on less evi-dence than that." "That may be," said the cashier, "but when you're paying out money, you have to be careful." be careful.

Still other bankers look far afield instead of developing the vast credit potentialities in their own front yard. They forget that the great business successes have come from dealing with the man on the street rather than the man on the street rather than the man on the avenue! Such bankers re-mind me of the two Irish immi-grants who, no more than they got off the Ellis Island boat at South Ferry, New York City, spied an old and worn but obvispled an old and worn but obvi-ously wellfilled pocketbook on the sidewalk. One started to pick it up but the other said, "Don't take that one, Pat. We'll find a new

If banks are willing to learn consumer credit—and it is far removed from producer credit—and are willing to resolutely enter the field, they will uncover an almost limitless source of demand for credit. And, I don't have to remind you that the rates in this field are much higher than in any other field—particularly if you get out of the areas preempted by the sales-finance companies. But that is exactly what most of you are not doing! You are going to battle the billion dollar sales-finance companies, and what a battle it is going to be, as witness the rate war which broke out in New York City last month. The sales-finance companies have the inside track, yet you will compete with them for automobile and refrigerator paper and neglect the far more important, less competitive, and more profitable field of personal loans. When I field are much higher than in any field of personal loans. When I say more profitable, I mean, of course, if properly developed and handled by men who know the

The first principle of economics is: "Human wants are insatiable." Just remember that when you start to estimate the potentialities of consumer credit. As for loans along more conventional lines, I am not optimistic. Of course, there will be some loans to finance reconversion and to carry concerns until contract termina-tion payments are received from the Treasury. Veterans will seek loans to start various small busiloans to start various small business ventures; home repair and rehabilitation loans will also be in some demand—but probably nothing startling. The volume of mortgages will increase but only at a slow rate. Transactions arising out of foreign trade will increase and should to some extent supply an outlet for bank credit, unless the bankers refuse or the Government carries the credit Government carries the credit directly or indirectly. The great-est demand for commercial bank credit credit will undoubtedly be for the purpose of accumulating inven-tories and financing the restoration of a normal volume of ac counts receivable, particularly at the manufacturing level. As credit terms are lengthened and volume rises, the demand for such fin-nancing should be very substantial.

In the next year, more than ever before, loans will be what you make them. I urge you to be aggressive in seeking loans especially the smaller loans. Remember, if you don't make the loans the Government will be impor tuned to make them and probably will not be a "reluctant dragon." At least, it has not been in the last 12 years.

Investments

Let us now turn our attention to-investments. Here the picture is encouraging. First, money rates will not change materially in the next 12 months. Last October I categorically reassured this distinguished audience in these exact words: "There is no question in my mind but that the monetary authorities are less interest rates. authorities can keep interest rates down, or push them even lower, if they feel it is advantageous for them to do so." The movement of money market rates during the past year has amply borne out that prediction. The easy money college of the Traceure has not policy of the Treasury has not changed and it will not change during the next 12 months. The return of currency to the banks and the inflow of gold will broaden the credit base. The continued increase of deposits as set forth in some detail at the beforth in some detail at the be-ginning of this talk will cause the demand for prime investments to continue strong. From all angles the money market is in a favorable position and the powers of the monetary authorities over the money market remain almost absolute!

With respect to Government bond prices, fluctuations are bound to take place. Deposit

shifts, tax debates, rumors of change in Treasury policy, and plain old-fashioned scalping and chiseling will cause changes in the market. (As you know, many the market. (As you know, many bankers still expect the **yield** on Governments to go up!) But, on balance, the Government bond market will hold its own. Bank eligible issues, especially the medium-term obligations, will remain firm. While there is a possibility that the bill rate may be unpegged, in which event it may rise to ½ or 5% of 1%, I do not expect any material change in the

As tax reduction discussions hit the headlines, you can expect fluctuations in the partially tax-exempt and also in the fully taxexempt securities. On balance, I do not now anticipate any consequential change in either yield or price during the next 12 months on the partially tax-exempts. But, as you well realize, the fully taxexempts are quite another matter. Considerable changes wil undoubtedly take place in the prices and yields of the fully taxexempts because of tax modifica-tions and changes in the credit position of the individual bor rowers.

The volume of financing, other than Governments, will increase in the coming year. The invest-ment market will be active with new issues, refundings, secondary distributions, and even a revival of foreign securities. But when you consider this demand, don't jump to the conclusion that in-terest rates will go up. Don't ever for one moment forget that the adjusted bank deposits (eliminating Government and interbank deposits) and currency outside banks are now nearly \$140 billion and that the total will further in crease next year!

This brings up the well-used ogre of inflation. There are some ho say that the Government will have to put up interest rates to prevent inflation. Let us dispose of that in short order by pointing of that in short order by pointing out that we now have a well-established pattern of differentiated interest rates and that if the Government should have to put up rates, which I do not for a moment anticipate, those put up certainly will not be the rates on book eligible securities. bank eligible securities.

It seems appropriate here make a few observations on the reduction in the danger of infla-tion. Let me summarize, as our time is getting short:

- 1 Both wars ended earlier than was anticipated. This is par-ticularly true of the Japanese war which was expected by military authorities to drag on another year at the very minimum.
- 2. Conversion is at a much faster rate than anyone dared to hope. Although it will take some time for durable consumer goods to appear in the market in quantity, consumer goods in general are sumer goods in general are returning to retail channels in a rising tide which will quickly cure the shortage problem in most lines. (Hous-ing is a notable exception.)
- Supplies of even scarce goods are such that all rationing controls either have been, or will be, quickly removed Goods, of course, are the real antidote to inflation pressure
- 4. Payrolls are declining and, for the first time in many years, a lot of war workers years, a lot of war workers are learning about unem-ployment. These have both a direct and indirect (psycho-logical) deflationary effect.
- The end of the war finds us the best position of any country in the world as indi-cated in the following brief summary:
- a. No direct war damage at
- b. Productive facilities far beyond the needs of the Colonel in the Army Air Corps.

- country (if such a thing can be possible!).
- c. By far the strongest financial position of banks, corporations and individuals—both credit and capital.

The foregoing are definitely anti-inflationary forces.

On the other hand, we have three serious inflationary forces:

- 1. Large volume of money and credit. But, goods can be produced to meet even fantastic demands in the United States; furthermore, just be United cause people have money it does not necessarily follow that they will spend it. Such a conclusion depends too much on, as the psychologists put it, behaviorism. Man is neither an automatic machine nor an animal.
- 2. Labor difficulties, which are now bad and promise to be even more serious, may restrict the production of goods in particular, if labor persists in its policies of restricting output, featherbedding,
- 3. Boom in the stock market the psychological effect of which is great. However, I believe that the labor difficulties will exercise an adverse effect on the price of equities.

In conclusion. I expect some what higher prices because of psychology, supply of money and credit, taxes, etc., but I cannot conceive of run-away inflation or even sharp price increases of any great consequence. To "stick my neck out" I would say that the index of wholesale prices which index of wholesale prices which is today 105 will a year from to-day not be higher than 115 or lower than 95. Hence, I personally fear neither inflation nor defla-tion during the next 12 months.

When you have to study all of these new developments in the field of economics and finance, in addition to doing your daily banking work, you have a right to feel
discouraged. You can't be blamed
if you feel about economics as
Mark Twain did about the study
of German. On one of his exercises which had been corrected and returned by his teacher, Mark wrote, "The grammar of this language consists wholly of exceptions and the exceptions to the exceptions constitute the rules."

Really economics is not that bad. But you must guard against the mental habits ascribed to a young lady by Henry James when he said, "She thought in italics and felt in capitals."

Halsey, Stuart Group Sells Terminal RR. Bds.

Halsey, Stuart & Co., Inc., and associates, Oct. 15, won the award in close bidding competition of New York Connecting RR's offer ing of \$25,982,000 in new first mortgage bonds, due 1975. Their bid named a price of 99.2799 for a 2%% coupon. Halsey, Stuart & Co., Inc., and associates reoffered the bonds to the public at 100 and interest, subject to approval of the Interstate Commerce Commission. The issue will be guaranteed as to principal, interest and sinking fund payments by Pennsylvania RR. and trustees of the New York, New Haven & Hartford RR. New York Connecting RR. will apply the proceeds to redemption on Dec. 1, 1945, of its outstanding first mortgage 3½% bonds, service A.

R. H. Noland Rejoins Staff Of Lord, Abbett & Co.

Lord, Abbett & Co., Inc., 63 Wall Street: New York City, announce that Robert H. Noland has rejoined their organization as New England representative. Mr. Noland has been serving as a Lieut. Province of

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Dresser Industries Pfd. Shares Offered

Public offering was made Oct 16 of 60,000 shares of Dresser Industries, Inc., preferred stock (cumulative) 3¾% Series (\$100 par) convertible prior to Sept. 15, 1955, into common stock at the rate of 2½ shares of common for each share of preferred. The offering was made at \$103 per share and accrued dividends by a group of 27 underwriters headed by Harriman Ripley & Co., Inc., and in-cluding Reynolds & Co.; Glore, Forgan & Co., Kidder, Peabody & Co. and Lazard Freres & Co.

The preferred stock is subject to redemption at \$107.50 per share to Sept. 15, 1950, and \$105 thereafter to Sept. 15, 1955, and at \$104 thereafter. It is also redeemable after Sept. 15, 1955, through operation of an annual retirement fund at \$103 per share.

Harvesting In Canada **Prairie Provinces**

Snow and heavy rains have seriously delayed harvesting opera-tions in the Prairie Provinces of Canada, according to the Oct. 4 crop report by Bank of Montreal. It was added that threshing would not become general again for a few days, even with good weather. It was further stated that while the quality of early returns was satisfactory, the prolonged wet spell will lower the grades of untreshed grain. In its crop report the bank also commented as followed. the bank also commented as fol-

lows:

"Pastures generally are in good condition. Grain harvesting in the Province of Quebec is about completed and threshing is well advanced. The potato crop is fair to average and other roots indicate satisfactory yields. Canning crops on the whole are good.

"In Ontario, heavy rains during the last two weeks have retarded harvesting of late crops and the seeding of fall wheat. Early sown grain is making good progress.

grain is making good progress.

"In the Maritime Provinces, harvesting of grain crops is nearly completed. Threshing is well advanced but returns in nearly all districts will be below average. In British Columbia harvesting of late fruit and vegetables is being completed under favorable conditions."

Twombly Heads Kenny Foundation Drive Div.

H. McKay Twombly, Reynolds & Co., New York, New York, has & Co., New York, New York, has been apopinted Chairman of the Investment Division in the 1945 Sister Kenny Foundation drive to fight infantile paralysis.

Anouncement of the appointment was made by Bing Crosby, national drive Chairman, along with 30 other industrial, commercial, civic, professional fraternal

cial, civic, professional, fraternal labor, religious and veterans' leaders who will head various divisions in the campaign.

The drive for \$5,000,000 will get under way Nov. 22 and continue through mid-December, Crosby said. It will be patterned along lines of the annual Red Cross, Community Fund and similar appeals

Barysh on Business Trip

Murray L. Barvsh of Ernst & Company, 120 Broadway, New York City, will leave on October 21st for a visit to the Chicago financial district where he will remain for about a week.

Business with Canada

In order to expedite business between the United States and Canada, our New York Agency is connected with our Toronto and Montreal offices by a private wire system.

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Canadian Securities

By BRUCE WILLIAMS

A long-standing blot on U. S.-Canadian financial relations appears about to be erased. The new extradition treaty between the two countries is making progress and, if finally agreed upon either in its present form or with the proposed amendments now being drafted in Ottawa, it will go a long way toward eliminating stock racketeering in this country by persons who use Canadian residence

to avoid our laws.

As originally drafted, the new exchange rate, with the premium treaty did not draw a line between deliberate criminal acts and "technical" offenses committed change in the official rate had a "technical" offenses committed unwittingly by innocent persons because of different legal methods in the two countries. The Cana-dian Government has—and we be-lieve rightly—objected to adop-tion of the treaty without incortion of the treaty without incorporating sufficient protection in it for legitimate Canadian investment firms who unknowingly violate technical U. S. security regulations. The new amendments, designed to provide this protection, are expected to be ready for action by the Canadian Parliament before the and of this Parliament before the end of this month.

The sooner this treaty becomes effective, making it pos-sible for our authorities to ex-tradite from Canada stock racktradite from Canada stock rack-eteers who are willfully violat-ing our securities laws, the bet-ter it will be for both countries. Recently a Canadian security offering, Gaspe Oil Ventures, Ltd., was made here—the first to be registered with the SEC. There should be a great deal more legitimate financing of Canadian enterprise in this There should be a great deal more legitimate financing of Canadian enterprise in this country and elimination of the stock racketeers across the border who are preying on American investors will greatly facilitate this development tate this development.

We have read a lot about the "toughness" of the Russians in both political and commercial negotiations. It is interesting to note that Russian trade relations with Canada are no exception to this general impression. At the moment negotiations between the two countries on a large volume of industrial contracts and on the terms and conditions of a new postwar credit are deadlocked. Some contracts have already been canceled and the Russians are making the familiar claim that Canadian costs and other terms are excessive. Canadians on the other hand feel that the Russians gotiations. It is interesting to note

change in the official rate had a somewhat strengthening effect on the market in New York. Dominions were very firm and quiet with no pressure evident in any section of the list. Corporate bonds were generally firm and a bit stronger bit stronger.

At present there is no development in the offing which would appear likely to affect the present tone of the market. The outlook is for continued firm-ness and quiet trading.

Canada Announces **New Exchange Rates**

The Canadian Foreign Exchange Control Board announced on Oct 13 that the rate at which it will sell United States dollars has been reduced from 11 to 10½% premium while the rate for selling sterling has been reduced from \$4.47 to \$4.45 per pound. Oct. 15 Associated Press advices from Ot-Associated Press advices from Ot-tawa Oct. 13, appearing in the New York "Times", added: "Effective Monday, premiums for purchases and sales of ex-change for spot delivery will be:

Buying Selling U. S. dollars____ 10% 10½% Sterling _____ \$4.43 \$4.45

The Board said the change reduces the cost of foreign exchange sold to the public without altering the price paid to the public and narrows the spread between buying and selling rates by one-half of 1%.

Simultaneously, it was a n-nounced, the Board has decided to make "swap facilities" in United States dollars available to resi-dents of Canada for the purpose of financing commercial operacanceled and the Russians are making the familiar claim that Canadian costs and other terms are excessive. Canadians on the other hand feel that the Russians are being unreasonable in their demand for quicker delivery, cutrate prices and lower long-term credits.

Turning to the market for the past week, there is little to report beyond the firming of the official

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Manning of Alberta in N. Y. on New Issue

Premier E. C. Manning and other officials of the Province of Alberta are scheduled to arrive in New York today for final negotia-New York today for final negotiations in connection with Alberta's proposed issue of \$26,093,000 debentures. The Alberta executives will confer with the group of American investment firms which will underwrite the debenture issue as the final step in the debt refunding program of the Province.

The First Boston Corp. will head the underwriting group and a public offering of the debentures

a public offering of the debentures is expected to be made next week, subject to clearance by the SEC. Financial interests have arranged several luncheons in honor of Premier Manning and his associates. They will be given by The First Boston Corp.; H. Donald Campbell, President of the Chase National Bank; F. Abbot Goodhue, President of the Bank of the Manhattan Co., and Norman S. Taber, municipal finance specialist, who is acting as special financial adviser and consultant to the Province of Alberta. sultant to the Province of Alberta.

Byllesby & Co. Adds Thorpe & McCullough

H. M. Byllesby & Co., Inc., 111
Broadway, New York City, announces the association with them of Warren Thorpe, Jr. in their statistical department, and Stanley McCullough in their sales department. Mr. McCullough has been conducting his own investment business in Bayonne.

Scott With Lester & Co.

(Special to The Financial Chronicle)
LOS ANGELES, CAL.—
Charles C. Scott has become associated with Lester & Co., 621
South Spring Street. Mr. Scott
was formerly with Bankamerica
Company and Banks, Huntley &
Co., and in the past was an officer
of D. A. Hill & Co.

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\$4,330,000 FULLY REGISTERED NEW JERSEY COUNTY, MUNICIPAL, AND SCHOOL BONDS TO BE SOLD TUESDAY, OCTOBER 23, 1945

At 2:00 P. M., Tuesday, October 23, 1945, the Board of Trustees of the Teachers' Pension and Annuity Fund will receive and open in their office, Room 1307, Trenton Trust Building, Trenton, sealed bids for the purchase of \$4,330,000 high grade registered New Jersey county, municipal, and school bonds maturing from 1946 to 1957. Sealed bids will be considered for all of the following fifty-six separate blocks.

Block No. 1-\$34,000

\$14,000 Bergen County, Public Improvement 5%'s, dated December 1, 32, maturing December 1, 1952. Opinion of Reed, Hoyt and Wash-

burn. \$20,000 Bergen County, Public Improvement 41/2's, dated December 1, 1930, maturing \$10,000 on December 1, 1953 and 1956. Opinion of Reed, Hoyt and Washburn.

Block No. 2—\$300,000

\$20,000 Camden County, Improvement 2½'s, dated November 1, 1940, maturing \$5,000 November 1st each year from 1952 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.
\$5,000 Camden County, Park 3½'s, dated June 1, 1939, maturing June 1, 1952. Opinion Hawkins, Delafield and Longfellow.
\$160,000 Camden County, Building Gold 4½'s, dated July 1, 1924, maturing \$25,000 on July 1, 1955, \$10,000 on July 1, 1951; \$35,000 on July 1, 1952, and \$15,000 on July 1, 1957. Opinion of Hawkins, Delafield and Longfellow.
\$65,000 Camden County, General Improvement 4½'s, dated April 1, 1926, maturing \$5,000 on April 1, 1946; \$50,000 on April 1, 1951, and \$10,000 on April 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

illow. \$20,000 Camden County, Park 4½'s, dated January 1, 1929, maturing 10,000 on January 1, 1948 and 1950. Opinion of Hawkins, Delafield

\$10,000 on January 1, 1948 and 1950. Opinion of Hawkins, Defaulted and Longfellow.

\$30,000 Camden County, Building and Highway 4½'s, dated January 1, 1929, maturing \$5,000 on January 1, 1952 and 1953, and \$20,000 on January 1, 1955. Opinion of Hawkins, Delafield and Longfellow.

ongfellow.

Block No. 3—845,000

\$20,000 Cape May County, General Finance 4½'s, dated February 1, 927, maturing \$20,000 on February 1, 1947. Opinion of Caldwell and

1927, maturing \$20,000 on February 2, 2.

Raymond.

\$10,000 Cape May County, Bridge Refunding, Serial 5's, dated May 15, 1924, maturing \$2,000 on May 15th each year 1949 to 1953, inclusive. Opinion of Caldwell and Raymond.

\$12,000 Cape May County, General Construction, Series 2, 5's, dated March 1, 1931, maturing March 1, 1948. Opinion of Caldwell and

March 1, 1931, matering
Raymond.
\$3,000 Cape May County, General Construction 51/4's, dated November 15, 1929, maturing November 15, 1947. Opinion of Caldwell and Raymond.

Block No. 4—8168,000

Block No. 4—\$168,000

\$26,000 Hudson County, County Jail 4½'s, dated July 1, 1926, maturing \$18,000 on July 1, 1949, and \$8,000 on July 1, 1950. Opinion of Hawkins, Delafield and Longfellow.

\$27,000 Hudson County, Hospital for Insane 4½'s, dated July 1, 1926, maturing \$7,000 on July 1, 1949; \$17,000 on July 1, 1950, and \$3,000 on July 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

\$115,000 Hudson County, Hospital 4's, dated March 1, 1934, maturing \$5,000 on March 1, 1949; \$60,000 on March 1, 1951, and \$50,000 on March 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

Block No. 5—814,000

\$5,000 Middlesex County, Vocational School, Series 5, 4¾'s, dated
July 1, 1929, maturing July 1, 1955. Opinion of Caldwell and Raymond.
\$9,000 Middlesex County, Bridge, Series 17, 4¼'s, dated July 15,
1926, maturing July 15, 1955. Opinion of Caldwell and Raymond.

Block No. 6—\$155,000
\$10,000 Monmouth County, Road 4½'s, dated March 15, 1926, maturing March 15, 1948. Opinion of Caldwell and Raymond.
\$35,000 Monmouth County, Road, 4½'s, dated March 15, 1928, maturing March 15, 1946. Opinion of Caldwell and Raymond.
\$6,000 Monmouth County, Jail 4½'s, dated March 15, 1928, maturing \$3,000 on March 15, 1946 and 1947. Opinion of Caldwell and Raymond.
\$4,000 Monmouth County, Bridge 4½'s, dated March 15, 1928, maturing \$2,000 on March 15, 1946 and 1947. Opinion of Caldwell and Raymond.

and Raymond.
\$16,000 Monmouth County, Bridge 4's, dated May 1, 1936, maturing
\$7,000 on May 1, 1951 and 1952 and \$2,000 on May 1, 1954. Opinion
of Hawkins, Delafield and Longfellow.
\$43,000 Monmouth County, Welfare Home 4½'s, dated March 15,
1931, maturing \$5,000 on March 15, 1954 on March 15, 1951 to
1953, inclusive, and \$5,000 on March 15, 1954. Opinion of Caldwell

1953, inclusive, and \$5,000 on March 15, 1954. Opinion of Caldwen and Raymond.

\$6,000 Monmouth County, Bridge 4½'s, dated March 15, 1931, maturing \$4,000 on March 15, 1946, and \$2,000 on March 15, 1951. Opinion of Caldwell and Raymond.

\$5,000 Monmouth County, Road 4½'s, dated March 15, 1931, maturing \$2,000 on March 15, 1961. Opinion of Caldwell and Raymond.

\$30,000 Monmouth County, Court House 4½'s, dated March 15, 1931, maturing \$23,000 on March 15, 1946, and \$7,000 on March 15, 1951. Opinion of Caldwell and Raymond.

Block No. 7—\$136,000
\$54,000 Ocean County, General Road 4%'s, dated November 1, 1931, maturing \$13,000 on November 1, 1946 and 1947, and \$14,000 on November 1, 1948 and 1949. Opinion of Caldwell and Raymond. \$20,000 Ocean County, General Funding 4%'s, dated June 1, 1935, maturing \$10,000 on December 1,-1949 and 1950. Opinion of Hawkins, Delafield and Longfellow.
\$62,000 Ocean County, Bridge 3%'s, dated December 1, 1938, maturing \$15,000 on December 1, 1949 and 1950; \$2,000 on December 1, 1953, and \$15,000 on December 1, 1954 and 1955. Opinion of Hawkins, Delafield and Longfellow.

Block No. 8-\$11,000

\$11,000 Passaic County, Road, Bridge, and County Building 6's, dated June 1, 1932, maturing June 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

Block No. 9—\$47,000
\$10,000 Union County Road, Bridge and Hospital 4½'s, dated Ocer 15, 1928, maturing October 15, 1952. Opinion of Reed, Hoyt stashburn

ber 15, 1928, maturing October 10, 1922. Character 18, 1928, maturing \$40,000 Union County, Park 4½'s, dated May 15, 1923, maturing \$10,000 on May 15th each year 1951 to 1953, inclusive. Opinion of Reed, Dougherty and Hoyt.
\$2,000 Union County, Park 4½'s, dated June 15, 1925, maturing June 15, 1952. Opinion of Reed, Dougherty and Hoyt.
\$5,000 Union County, Park 4½'s, dated December 1, 1924, maturing December 1, 1951. Opinion of Reed, Dougherty and Hoyt.

Block No. 10-\$59,000

89,000 Audubon Borough, Camden County, School 5's, dated July 1, 1924, maturing \$1,000 on July 1st each year 1946 to 1954, inclusive. Opinion of Hawkins, Delafield and Longfellow. \$50,000 Audubon Borough, Camden County, Sewer 51%'s, dated December 1, 1929, maturing \$5,000 on December 1st each year 1946 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 11-\$66,000

\$28,000 Belleville Town, Essex County, Public Improvement 2¾'s, dated August 1, 1940, maturing \$7,000 on August 1st each year 1951, 1952, 1954 and 1955. Opinion of Reed, Hoyt, Washburn and Clay.

\$3,000 Belleville Town, Essex County, Water 2¾'s, dated August 1, 1940, maturing \$1,000 on August 1st each year 1951, 1952 and 1954. Opinion of Reed, Hoyt, Washburn and Clay.

\$10,000 Belleville Town, Essex County, Street and Sewer 4½'s, dated September 1, 1924 maturing \$5,000 on September 1, 1951 and 1952. Opinion of Reed, Dougherty and Hoyt,

\$25,000 Belleville Town, Essex County, Water 41/2's, dated October 1, 1930, maturing \$10,000 on October 1, 1953 and 1954, and \$5,000 on October 1, 1955. Opinion of Reed, Hoyt and Washburn.

Block No. 12-819,000

Block No. 12—819,000

\$19,000 Bound Brook Borough, Somerset County, General Improvement 23/8, dated August 1, 1937, maturing \$5,000 on August 1, 1950; \$10,000 on August 1, 1951 and \$4,000 on August 1, 1952. Opinion of Caldwell and Raymond.

Block No. 13—\$10,000

\$10,000 Butler Borough, Morris County, School District 3½'s, dated January 1, 1937, maturing \$5,000 on January 1, 1954 and 1955. Opinion of Hawkins, Delafield and Longfellow.

Block No. 14—\$255,000

\$105,000 Camden City, Camden County, Refunding, Series A, 2%'s, dated November 1, 1940, maturing \$15,000 on November 1, 1952, \$20,000 on November 1, 1953; \$30,000 on November 1, 1954, and \$40,000 on November 1, 1955, Opinion of Hawkins, Delafield and \$150,000 Camden City, Camden County, Refunding Series and S20,000 Camden City, Camden County, Refunding Series and S20,000 Camden City, Camden County, Refunding Series and S20,000 Camden City Camden County Refunding Series and S20,000 Camden City Camden Cit

Longfellow. \$150,000 Camden City, Camden County, Refunding, Series B, 2.60's, dated November 1, 1940, maturing \$10,000 on November 1, 1950; \$20,000 on November 1, 1951 and 1952; \$30,000 on November 1, 1953 and 1954, and \$40,000 on November 1, 1955. Opinion of Hawkins, Delafield-and Longfellow.

Block No. 15—\$32,000

\$32,000 Carlstadt Borough, Bergen County, Sewer 3¼'s, dated Janary 1, 1939, maturing \$8,000 on January 1st each year 1952 to 1955, iclusive. Opinion of Reed, Hoyt, Washburn and Clay.

Block No. 16--\$75,000

Block No. 16--875,000
\$40,000 Carteret Borough, Middlesex County, Public Improvement 5's, dated December 1, 1930, maturing \$5,000 on December 1, 1951 and 1952, and \$6,000 on December 1st each year 1953 to 1957, inclusive. Opinion of Caldwell and Raymond.
\$3,000 Carteret Borough, Middlesex County, School 5's, dated July 1, 1924, maturing July 1, 1952. Interest payable April and October 1st each year. Opinion of Caldwell and Raymond.
\$11,000 Carteret Borough, Middlesex County, School 5's, dated January 2, 1952. Opinion of Caldwell and Raymond.
\$21,000 Carteret Borough, Middlesex County, School 5's, dated November 1, 1938, maturing \$7,000 on January 2, 1951, and \$1,000 on January 2, 1955. Opinion of Caldwell and Raymond.

Block No. 17-820,000

\$20,000 Cedar Grove Township, Essex County, Water 4½'s, dated August 1, 1927, maturing \$5,000 on August 1st each year 1946 to 1949, inclusive. Opinion Thompson, Wood and Hoffman.

Block No. 18-\$38,000

**Elock No. 18—\$38,000
\$20,000 *Cliffside Park Borough, Bergen County, School Refunding 4½'s, dated January 1, 1935, maturing \$1,000 on January 1st each year 1946 to 1950, inclusive; \$8,000 on January 1, 1951; \$2,000 on January 1, 1952; \$1,000 on January 1, 1953; \$3,000 on January 1, 1954, and \$1,000 on January 1, 1955. Opinion of Hawkins, Delafteid and Longfellow.
\$18,000 Cliffside Park Borough, Bergen County, Improvement Refunding 4½'s, dated June 1, 1935, maturing \$9,000 on June 1, 1947; \$5,000 on June 1, 1948, and \$4,000 on June 1, 1949. Opinion of Hawkins, Delafteld and Longfellow.

Block No. 19-890,000

\$10,000 Clifton City, Passaic County, Improvement 5%'s, dated July 1, 1929, maturing July 1, 1952. Opinion of Hawkins, Delafield and Longfellow, \$15,000 Clifton City, Passaic County, School 44's, dated September 1,

\$15,000 Clifton City, Passalc County, School 4½'s, dated September 1, 1952, and \$10,000 on September 1, 1952, and \$10,000 on September 1, 1952, and \$10,000 on September 1, 1954. Opinion of Hawkins, Delafield and Longfellow. \$10,000 Clifton City, Passaic County, Water Supply, 3½'s, dated uly 1, 1936, maturing \$5,000 on July 1, 1954 and 1955. Opinion of awkins, Delafield and Longfellow. \$20,000 Clinton City, Passaic County, Water Refunding 4½'s, dated ctober 1, 1935, maturing October 1, 1952. Opinion of Reed, Hoyt nd Washburn.

and Washburn. \$20,000 Clifton City, Passaic County, General Refunding 4½'s, dated October 1, 1935, maturing \$10,000 on October 1, 1950 and 1951. Opinion of Reed, Hoyt and Washburn. \$15,000 Clifton City, Passaic County, Serial Funding 4½'s, dated October 1, 1935, maturing October 1, 1951. Opinion of Reed, Hoyt and

Ashburn.

Block No. 20—\$15,000

\$8,000 Collingswood Borough, Camden County, School District, eries A, 434's, dated September 1, 1922, maturing \$1,500 on Septemer 1st each year 1946 to 1949, inclusive, and \$1,000 on September 1, 500 and 1951. Opinion of Hawkins, Delafield and Longfellow.

\$4,000 Collingswood Borough, Camden County, General Improvement s, dated July 1, 1932, maturing July 1, 1946. Opinion of Caldwell and Raymond.

6's, dated July 1, 1932, maturing July 1, 1946. Opinion of Caldwell and Raymond. \$3,000 Collingswood Borough, Camden County, Water 6's, dated July 1, 1932, maturing July 1, 1946. Opinion of Caldwell and Raymond.

Suly 1, 1932, maturing July 1, 1946. Opinion of Catawari and Raymond.

848,000 Cranford Township, Union County, School, Series A, 4½'s, maturing \$8,000 on December 31st each year 1946 to 1951, inclusive. Opinion of Hawkins, Delafield-and Longfellow.
\$60,000 Cranford Township, Union County, School, Series B, 4½'s, maturing \$10,000 on December 31st each year 1946 to 1951, inclusive. Opinion of Hawkins, Delafield and Longfellow.
\$15,000 Cranford Township, Union County, Improvement, Series 2, 5's, dated October 1, 1929, maturing \$5,000 cn October 1st each year 1948 to 1950, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 22-\$24,000

\$24,000 Denville Township, Morris County, School 434's, dated July 1, 1929, maturing \$6,000 on July 1st each year 1946 to 1949, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 23—8209,000

\$209,000 Ewing Township, Mercer County, School Refunding 4's, dated November 1, 1935, maturing \$20,000 on November 1st each year 1946 to 1948, inclusive; \$22,000 on November 1st each year 1949 to 1953, inclusive; \$20,000 on November 1, 1954, and \$19,000 on November 1, 1955, Opinion of Hawkins, Delafield and Longfellow.

Block No. 24—\$104,000
\$50,000 Garwood Borough, Union County, School, Series C, 4%'s, dated January 1, 1926, maturing \$5,000 on January 1st each year 1946 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow. \$9,000 Garwood Borough, Union County, Trunk Sewer 4's, dated August 1, 1935, maturing \$1,000 on August 1, 1946, and \$2,000 on. August 1st each year 1947 to 1950, inclusive. Opinion of Hawkins, Delafield and Longfellow. 455,000 on December 1, 1935, maturing \$15,000 on December 1, 1946, and \$10,000 on December 1, 1946, and \$10,000 on December 1 seach year 1947 to 1949, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 25-872,000

\$37,000 Hackensack City, Bergen County, Sewer, Series 2, 41/2's, dated January 1, 1923, maturing \$11,000 on January 1, 1952, and

\$13,000 on January 1, 1953 and 1954. Opinion of Reed. Dougherty and Hoyt.

\$35,000 Hackensack City, Bergen County, Sewer 3's, dated September 1, 1936, maturing \$5,000 on September 1, 1950, and \$15,000 on September 1, 1951 and 1952. Opinion of Reed, Hoyt and Washburn.

Block No. 26-\$140,000

Block No. 26—\$140,000

\$48,000 Haledon Borough, Passaic County, School 434's, dated August 1, 1931, maturing \$8,000 on August 1st each year 1946 to 1951, inclusive. Opinion of Hawkins, Delafield and Longfellow.

\$67,000 Haledon Borough, Passaic County, Capital Improvement Refunding 434's, dated April 1, 1935, maturing \$18,000 on April 1st each each 1946 to 1948, inclusive, and \$13,000 on April 1, 1949. Opinion of Caldwell and Raymond.

\$25,000 Haledon Borough, Passaic County, Refunding 4½'s, dated September 15, 1934, maturing \$5,000 on September 15, 1951; \$15,000 on September 15, 1952, and \$5,000 on September 15, 1953. Opinion of Caldwell and Raymond.

Block No. 27-\$23,000

\$23,000 Hamilton Township, Mercer County, General Refunding 4½'s, ated December 1, 1934, maturing December 1, 1954. Opinion of awkins, Delafield and Longfellow.

Block No. 28-825,000

S5,000 Highland Park Borough, Middlesex County, School 4%'s, dated August 1, 1924, maturing \$1,000 on August 1st each year 1951 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow. \$20,000 Highland Park Borough, Middlesex County, Water 5's, dated December 20, 1926, maturing \$5,000 on December 20th each year 1951 to 1954, inclusive. Opinion of Caldwell and Raymond.

Block No. 29-8178,600

Block No. 29—\$178,000

\$45,000 Hillside Township, Union County, Serial Funding 4½'s, dated October 1, 1935, maturing \$16,000 on October 1st each year 1948 to 1951, inclusive, and \$5,000 on October 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

\$88,000 Millside Township, Union County, Refunding 4½'s, dated December 1, 1935, maturing \$6,000 on December 1, 1947 and 1948; \$5,000 on December 1, 1949 and 1952; \$10,000 on December 1, 1953; \$30,000 on December 1, 1954, and \$26,000 on December 1, 1953; \$0,000 on December 1, 1954, and \$26,000 on December 1, 1955. Opinion of Hawkins, Delafield and Longfellow.

\$15,000 Millside Township, Union County, Refunding 4½'s, dated October 1, 1935, maturing \$5,000 on October 1st each year 1948 to 1950, inclusive. Opinion of Hawkins, Delafield and Longfellow.

\$30,000 Hillside Township, Union County, School 5's, dated January 1, 1931, maturing \$5,000 on January 1st each year 1950 to 1955, inclusive. Opinion of Caldwell and Raymond.

Block No. 30-\$35,000

55,000 Kearny Town, Hudson County, School 4%'s, dated June 1, 1922, maturing on June 1, 1951. Opinion of Hawkins, Delaficid and Longfellow

922, maturing on collections of the state of and Longfellow. \$15,000 Kearny Town, Hudson County, School 4½'s, dated July 1, 1931, maturing July 1, 1953. Opinion of Hawkins, Delatied and

1931, maturing say,
Longfellow,
\$10,000 Kearny Town, Hudson County, Water Supply 6's, clated
August 1, 1932, maturing August 1, 1953. Opinion of Hawkins, Delafield and Longfellow.

Block No. 31—825,000

Block No. 31—825,000

\$20,000 Leonia Borough, Bergen County, Improvement 6's, dated May 1, 1934, maturing \$10,000 on May 1, 1954 and 1955. Opinion of Hawkins, Delafield and Longfellow.

\$5,000 Leonia Borough, Bergen County, Park 6's, dated September 1, 1921, maturing \$1,000 on September 1, 1955; \$3,000 on September 1, 1956, and \$1,000 on September 1, 1957. Opinion of Hawkins, Delafield

Block No. 32-\$31,000

\$4,000 Linden Township, Union County, School 41/2's, dated October 1, 1924, maturing October 1, 1954. Opinion of Hawkins, Delatield and Longfellow.

Longfellow \$5,000 Linden Township, Union County, Park 444's, dated March 1, 1924, maturing \$1,000 on March 1st each year 1551 to 1955, inclusive. Opinion of Reed, Dougherty and Hoyt. \$17,000 Linden City, Union County, School 44's, dated August 1, 1928, maturing \$6,000 on August 1, 1951 and 1952 and \$5,000 on August 1, 1953. Opinion of Reed, Hoyt, Wastburn and Clay. \$5,000 Linden Township, Union County, Public Improvement 4%'s, dated August 1, 1923, maturing \$1,000 on August 1: 1923, maturing \$1,000 on August 1: 15023, maturing \$1,000 on August 1: 15023, maturing \$1,000 on August 1: 1502, maturing \$1,000 on August 1: 150 and 150 and

Block No. 33—832,000
\$32,000 Little Ferry Borough, Bergen County, Refunding 3½'s, dal December 1, 1940, maturing \$17,000 on December 1, 1951; \$10,000 December 1, 1953, and \$5,000 on December 1, 1954. Opinion Hawkins, Delafield and Longfellow.

Block No. 34—885,000

\$60,000 Livingston Township, Essex County, School 5's, dated February 14, 1930, maturing \$6,000 or February 14th each year 1946 to 1955, inclusive. Opinion of Hawkins, Delafield and Lengfellow.
\$4,000 Livingston Township, Essex County, Firehouse 4½'s, dated July 1, 1930, maturing \$1,000 on July 1st each year 1930 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.
\$10,000 Livingston Township, Essex County, Serial Funding 4½'s, dated July 1, 1935, maturing on March 1, 1949. Interest payable March and September 1st each year. Opinion of Hawkins, Delafield and Longfellow.
\$15,000 Livingston Township, Essex County, General Funding 4½'s, dated July 1, 1935, maturing March 1, 1949. Interest payable March and September 1st each year. Opinion of Hawkins, Delafield and Longfellow.

Block No. 35—857,000

S57,000 Lyndhurst Township Bergen County, School Refunding 4½'s, dated September 1, 1941, maturing \$12,000 on September 1, 1946; \$10,000 on September 1, 1947 and 1948; \$5,000 on September 1, 1949, and \$10,000 on September 1, 1950 and 1951. Opinion of Hawkins, Delafield and Longfellow.

Block No. 36—\$21,000

\$21,000 Maywood Borough, Bergen County, Local Improvement Refunding 4½'s, dated June 15, 1935, maturing \$6,000 on June 15th each year 1951 to 1953, inclusive, and \$3,000 on June 15, 1954. Opinion of Reed, Hoyt and Washburn.

Block No. 37—\$10,000
\$40,000 Millville City, Cumberland County, Improvement, Series A, s, dated July 1, 1930, maturing \$6,000 on July 4, 1946 and 1947, and 7,000 on July 1st each year 1948 to 1951, inclusive. Opinion of tawkins, Delafield and Longfellow.

Block No. 38-\$342,000

Block No. 38—3342,000
\$50,000 Newark City, Essex County, Port Newark Improvement 4½'s, dated March 1, 1930, maturing \$10,000 on March 1, 1947, and \$40,000 on March 1, 1952. Opinion of Reed, Hoyt and Washburn.
\$10,000 Newark City, Essex County, School 4½'s, dated March 1, 1930, maturing \$5,000 on March 1, 1946 and 1952. Opinion of Reed, Hoyt and Washburn.
\$83,000 Newark City, Essex County, Port Newark Improvement 4½'s, dated December 15, 1927, maturing \$38,000 on December 15, 1949, and

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\$45,000 on December 15, 1950. Opinion of Reed, Dougherty, Hoyt and

Washburn.
\$100,000 Newark City, Essex County, Street Opening, Series A, 5½'s, dated August 1, 1934, maturing \$40,000 on August 1, 1950, and \$60,000 on August 1, 1953. Opinion of Reed, Hoyt and Washburn.
\$24,000 Newark City, Essex County, Passac Valley Sewer 4½'s, dated October 1, 1923, maturing \$20,000 on October 1, 1950, and \$4,000 on October 1, 1951. Opinion of Reed, Dougherty and Hoyt.
\$50,000 Newark City, Essex County, Serial Funding 3¾'s, dated February 1, 1935, maturing \$20,000 on February 1, 1947; \$10,000 on February 1, 1949, and \$20,000 on February 1, 1950. Opinion of Reed, Hoyt and Washburn.

February 1, 1949, and \$20,000 on February 1, 1950. Opinion of Reed, Hoyt and Washburn. \$25,000 Newark City, Essex County, Port Newark Improvement 4½'s, dated April 15, 1922, maturing April 15, 1948. Opinion of Reed, Dougherty and Hoyt.

**Block No. 39—\$50,000

\$50,000 Oaklyn Borough, Camden County, School Refunding 2½'s, dated August 1, 1940, maturing \$1,000 on August 1, 1947; \$3,000 on August 1, 1948; \$8,000 on August 1, 1949; \$4,000 on August 1, 1950; \$8,000 on August 1, 1950; and \$9,000 on August 1, 1953 and 1954. Opinion of Caldwell and Raymond.

Block No. 40—\$120,000

\$120,000 Orange City, Essex County, General Funding, Series B, 2%'s, dated February 1, 1939, maturing \$20,000 on February 1st each year 1950 to 1955, inclusive. Opinion of Reed, Hoyt and Washburn.

Year 1950 to 1955, inclusive: Opinion of Reed, Hoyt and Washouth.

Block No. 41—\$78,000

\$59,000 Palisades Park Borough, Bergen County. Refunding 3's, dated December 1, 1940, maturing \$11,000 on December 1, 1948; \$10,000 on December 1, 1951. Opinion of Hawkins, Delafield and Longfellow.
\$19,000 Palisades Park Borough, Bergen County, Refunding 4's, dated May 1, 1937, maturing \$12,000 on May 1, 1946, and \$7,000 on May 1, 1947. Opinion of Hawkins, Delafield and Longfellow.

\$28,000 Parsippany-Troy Hills Township, Morris County, Water, Beries B, 4½'s, dated November 15, 1937, maturing \$4,000 on November 15th each year 1946 to 1952, inclusive. Opinion of Reed, Hoyt and Washburn.

Washburn.

Block No. 43—\$77,000

\$7,006 Passaic City, Passaic County, Serial Funding 4¼'s, dated December 1, 1934, maturing December 1, 1951. Opinion of Hawkins, Delafield and Longfellow,
\$20,000 Passaic City, Passaic County, Serial Funding 4's, dated October 1, 1935, maturing \$18,000 on October 1, 1949, and \$5,000 on October 1, 1950. Opinion of Hawkins, Delafield and Longfellow.

\$50,000 Passaic City, Passaic County, General Improvement 5½'s, dated December 1, 1921, maturing \$5,000 on December 1st each year 1946 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 44-\$48,000

\$10,000 Paterson City, Passaic County, School 6's, dated May 1, 1932, aturing \$5,000 on May 1, 1952 and 1954. Opinion of Hawkins,

s10,000 Faterson City, Fassaic And 1954. Opinion of Hawkins, Delafield and Longfellow. \$38,000 Paterson City, Passaic County, General Improvement 4½'s, dated June 1, 1929, maturing \$25,000 on June 1, 1949, and \$13,000 on June 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

Block No. 45-\$105,000

\$56,000 Pitman Borough, Gloucester County, School 4½'s, dated June 30, 1925, maturing \$8,000 on July 1st each year 1946 to 1952, inclusive. Opinion of Hawkins, Delafield and Longfellow. \$49,000 Pitman Borough, Gloucester County, School 4½'s, dated December 15, 1922, maturing \$7,000 on December 15th each year 1946 to 1952, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 46-\$116,000

\$116,000 Ridgefield Borough, Bergen County, Local Improvement Refunding 4's, dated March 1, 1936, maturing \$4,000 on March 1, 1948, and \$28,000 on March 1st each year 1949 to 1952, inclusive. Opinion of Reed, Hoyt and Washburn.

Block No. 47—\$15,000
\$5,000 Ridgewood Village, Bergen County, Water 4½'s, dated May 1, 1931. maturing May 1, 1951. Opinion of Hawkins, Delafield and Longfellow.
\$10,000 Ridgewood Village, Bergen County, Improvement 4¼'s, dated May 1, 1931, maturing May 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

Block No. 48-\$30,000

\$30,000 Roselle Borough, Union County, General Refunding 4%'s, dated March 1, 1935, maturing December 1, 1950. Interest payable June and December 1st each year. Opinion of Reed, Hoyt and Washburn.

Block No. 49—\$36,000 \$36,000 Scotch Plains Township, Union County, School 4%'s, dated March 1, 1926, maturing \$6,000 on March 1st each year 1946 to 1951, inclusive. Opinion of Hawkins, Delatield and Longfellow.

Block No. 50—\$27,000
\$27,000 Somerville Borough, Somerset County, School 4½'s, dated January 1, 1923, maturing \$9,000 on January 1, 1951 to 1953, inclusive. Opinion of Hawkins, Delafield and Longfellow.

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Block No. 51-\$30,000

\$8,000 Summit City, Union County, School 4½'s, dated December 1, 930, maturing December 1, 1950. Opinion of Hawkins, Delafield and

ongfellow. \$12,000 Summit City, Union County, Improvement 41/4's, dated De-mber 1, 1930, maturing December 1, 1950. Opinion of Hawkins,

\$12,000 Summit City, Union County, Improvement 24's, asset December 1, 1930, maturing December 1, 1950. Opinion of Hawkins, Delafield and Longfellow.
\$5,000 Summit City, Union County, General Improvement 54's, dated July 1, 1932, maturing July 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

and Longfellow. 900 Summit City, Union County, School 4½'s, dated February 1, maturing February 1, 1953. Opinion of Reed, Dougherty and

Block No. 52—\$10,000

\$10,000 Tenafly Borough, Bergen County, Public Improvement 434's, dated February 1, 1930, maturing February 1, 1947. Opinion of Caldwell and Raymond.

Block No. 53-\$127,000

\$127,000 Union City, Hudson County, General Funding 434's, dated March 1, 1935, maturing \$17,000 on March 1, 1950; \$20,000 on March 1, 1951, and \$45,000 on March 1, 1952 and 1953. Opinion of Hawkins, Delafield and Longfellow.

Block No. 54-\$24,000

Block No. 54—\$24,000
\$10,000 West Orange, Essex County, School 4½'s, dated October 1, 1930, maturing \$2,000 on October 1st each year 1951 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow. \$12,000 West Orange, Essex County, School, Series A, 4½'s, dated August 1, 1922, maturing August 1, 1951. Opinion of Hawkins, Delafield and Longfellow. \$2,000 West Orange, Essex County, School, Series B, 4½'s, dated August 1, 1922, maturing August 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

Block No. 55—\$230,000
\$230,000 Weehawken Townshib, Hudson County, General Refunding

\$230,000 Weehawken Township, Hudson County, General Refunding 4's, dated October 1, 1935, maturing \$50,000 on October 1st each year 1949 to 1952, inclusive, and \$30,000 on October 1, 1953. Opinion of Reed, Hoyt and Washburn.

Block No. 56—\$20,000
\$2,000 Westfield Town, Union County, School 4½'s, dated December 1, 1924, maturing \$1,000 December 1, 1951 and 1952. Opinion of Reed, Dougherty and Hoyt.
\$18,000 Westfield Town, Union County, School 4½'s, dated December 1, 1931, maturing \$9,000 on December 1, 1951 and 1952. Opinion of Reed, Hoyt, Washburn and Clay.

Each proposal should state the amount in dollars and cents bid for each block of bonds—accrued interest to the date of purchase to be added.

No down payment will be required with the bid. Proposals should be addressed to the Teachers' Pension and Annuity Fund, State of New Jersey, and enclosed in a sealed envelope marked on the outside "PROPOSAL FOR BONDS."

Each block of bonds will be awarded on the day the bids are received to the bidder offering the largest price and accrued interest to the date of payment, but the Board of Trustees reserves the right to reject any or all bids.

Each purchaser will be asked to take delivery of the bonds awarded to him and to make payment for them at a date to be mutually agreed upon between the buyer and the seller within a week from the date of the award.

By Order of the Board of Trustees, October 4, 1945.

JOHN A. WOOD, 3d, Secretary.

Municipal News & Notes

develop in advance of the Treasury financing.

ury financing.

Starting on Monday, Oct. 22, for example, three rather large items are scheduled to materialize, the largest being the Brooklyn, Ohio, offering of \$1,110,000 refundings. This consists of two series, \$600,000 series A bonds, due semi-annually from 1946 to 1966, incl., and optional in 1956, and \$510,000 series B, having a maturity date of 1966, although redeemable starting Jan. 1, 1948. redeemable starting Jan. 1, 1948.

On the same date bids will be opened by officials of Bonneville County Independent School District, Class A No. 1, Idaho, on an issue of \$510,000 bonds, with a 1946-1965 maturity range. Tendent rs will likewise be considered for the Cedar Rapids Independent School District, Iowa, item of \$750,000 building obligations, to mature from 1946 to 1960, incl.

Tuesday, Oct. 23, should prove prove one of the most active days in the tax-exempt mart in quite a while, with the Chicago Park District, Ill., deal alone amounting to \$28,475,000. The bonds will mature on Dec. 1, 1965, although subject to advance redemption in stipulated amounts annually starting in 1948. Proceeds of the financing, along with cash on hand, will be employed by the district in the redemption of \$37,250,000 of outstanding bonds which are optional in 1946.

Aside from the Park District undertaking there is the equally substantial transaction to be concluded by the New Jersey State Teachers' Pension and Annuity that purpose,

Although the Victory Loan starting on Oct. 29 will probably result in an enforced quietus of bids on various blocks of its hold-operations in the investment banking field generally for the duration of the drive, a number of substantial operations in the municipal field are scheduled to 1946 to 1957, incl., and the 56 blocks included in the offering. on the various obligations is from 1946 to 1957, incl., and the 56 blocks included in the offering add up to an aggregate principal amount of \$4,330,000.

Next Tuesday also is the day on which bids will be taken by Ashe County, N. C., on \$1,094,000 refundings, which are to mature serially from 1947 to 1977, incl. serially from 1947 to 1977, incl. In addition, there is the Thief River Falls, Minn., offering of \$250,000 water works bonds, to mature from 1948 to 1957, incl. On Thursday, Oct. 25, Frankfort, Ind., will act on bids submitted on an issue of \$400,000 electric utility revenue bonds, due semi-annually from 1947 to 1966, incl., although subject to earlier redemption at the city's option.

In the week beginning Monday, Oct. 29, offerings now in prospect include the Guarantee Mutual Life Co., Nebraska, offering of \$1,995,000 various Florida municipals; \$500,000 by Gibson County, Tenn., and \$3,000,000 by Cincinnati, Ohio, this latter issue to be sold on the 30th.

Although no official word had been received at this writing, it is expected that the Chicago Board of Education will appear in the market late this month or in the first part of November with an offering of \$2,750,000 refunding bonds. Proceeds of the issue, along with funds presently available, will be used to redeem \$5,500,000 31/2% refunding bonds optional Jan. 1. 1946.

The State of California anticipates the offering sometime in December of \$15,000,000 veterans' aid bonds, representing half of an issue authorized by the voters for

Past and Probable **Population Trends**

The importance of the population factor in the study of municipal finance data necessarily takes on added significance in light the extensive migration prompted by wartime conditions. It is true, of course, that numerical size alone is far from being indicative of the debt-paying capacity of any community. Actually, density of population can in some cases constitute a financial hazard, particularly in times of general eco-nomic upheaval, with the accompanying heavy demands on local budgets for welfare and relief expenditures.

Admitting its imperfections, however, it is nevertheless true that the population factor can, that the population factor can, and does, enjoy an important position among the various guides employed in ascertaining the investment qualities of local public bonds. Recent history, it may be here pointed out, is studded with examples of committee whose accounting status. munities whose economic status deteriorated in direct propor-tion to declining populations.

In any event, it would appear that population trends, actual and prospective, should command greater emphasis in the calcula-tions of dealers and investors in State and municipal bonds than was true in the past. A consider-able number of reasons could be cited in support of this conclusion. On the one hand, for example, mention may be made of its influence as regards the eligibility of local government bonds, assuming other qualifications are also present, as legal investments for savings banks, etc., in the various States.

Then, too, there is the growing trend toward the issuance of revenue bonds, payment of which is entirely dependent on revenues collected from users of the particular facility for which the debt was created.

In light of these considerations,

it is clear that the subject should be of more than academic interest and particularly so in light of the conclusions contained in a study by Dr. Vergel J. Reed, Associate Director of Research of J. Walter Thompson Co. Writing under the title "Population and Purchasing" (See "Changida") Power Trends," (see "Chronicle" of Oct. 11, page 1702), presented some views which, we believe, merit repeating in this column.

Specifically, we refer to Dr. Reed's analysis of the vast shifts of civilian population in the war years 1940-1943, and the significance of such migration as regards the likelihood of specific areas to hold and extend cific areas to hold and extend their gains, or to retain their previous status. On this subject, we quote from Dr. Reed's paper as follows:

The significance of all this is:

1. The West and Southeast will
continue to gain, largely at the
expense of the North and Northeast.

2. As examples of regions most apt to retain their war-time growth and to continue to grow, the following metropolitan countries (sayably eities of 50 000 or ties (roughly cities of 50,000 or over and the county in which lo-cated) appear outstanding:

Corpus Christi, Tex.
Dallas, Tex.
Jackson, Miss.
Jacksonville, Fla. San Antonio, Tex. San Diego, Calif. Detroit, Mich. Los Angeles, Calif. New Orleans, La. Charleston, S. C. Columbia, S. C. Columbus, Ga. Mobile, Ala. Galveston, Tex. Atlanta, Ga. San Francisco, Calif.

3. Metropolitan counties losing population during the war and having little prospects of regaining their losses, include the following:

Albany-Schenectady-Troy, N.Y. Altoona, Pa.

Boston, Mass. Duluth-Superior, Minn. Fall River-New Bedford, Mass. Scranton-Wilkes-Barre, Pa. Lancaster, Pa. Lincoln, Neb. Manchester, N. H. Pittsburgh, Pa. Reading, Pa. Rochester, N. Y. Springfield, III. Toledo, Ohio Wheeling, W. Va. Worcester, Mass.

Note that those with the best prospects are, with the exception of Detroit, in the West and South; those with the poorest prospects, in the North.

4. The prospects for certain other areas which may have special interest to you, appear to be as follows:

New York - Northeastern New Jersey area has lost population (about 820,000) during the war, with fair prospects of "coming back."

Baltimore grew at above average rates during the war and has a good chance of retaining its

Cleveland grew at above averceverand grew at above average rates between 1920 and 1930, but did not fare so well during the '30's, and grew little during the war. Its future is hard to predict.

Indianapolis grew at above average rate during the depression years, as well as during the war. It has good prospects of retaining its growth.

Chicago has only fair prospects of retaining even its wartime population. Its metropolitan counties (Cook, DuPage, Lake County, Illinois, and Lake County, Indiana) showed a decrease of 1.4% between 1940 and 1943.

St. Louis showed a slight increase during the war, but has only fair prospects of retaining the increase.

Minneapolis-St. Paul area has lost slightly during the war, but has fair prospects of "coming back."

The Present Level of Stock Prices

(Continued from page 1818) bargain opportunities from the market, and the disproportion-ately great advance in stocks of

poorer grade since 1941.

4. The prospect of a considerably higher tax burden than pre-

5. Current and prospective laor troubles. 6. Political uncertainties—both

domestic and international.

It may seem strange that the sudden end of the war, with the precipitate termination of war business and the resultant prob-lems of reconversion, are not list-ed among the unfavorable factors. But it is reasonably clear that the But it is reasonably clear that the physical tasks of reconversion are proving much less protracted than was feared, that financial losses due to contract cancellations will not be serious, and that peace is in itself no real threat to corposite corporate according a power. In present in itself no real threat to corporate earning power. In present market discussions the once-feared problems of reconversion appear to be concentrated in the area of labor policy—an aspect which until recently had received little anticipatory notice. This little anticipatory notice. This point illustrates aptly our general thesis that economic events rarely unfold in the way stock-mar-ket people forecast them.

the simple listing of arguments pro and con, given above we achieve no more than the ob vious demonstration that there is much to be said on both sides of the market. However, these factors are by no means of equal weight, and they apply to differ-ent areas of stock-market evaluation. Some of them relate to (a) the general pattern of market behavior, others to (b) the fundamental method or formula for mental method or formula for appraising common stocks, and others to (c) the field of future expectations. We shall group the favorable and unfavorable arguments together as they belong unments together as they belong un der each of these successive head ings. As will be seen, our con-clusions will vary somewhat as we pass from one approach to the

In identifying the past and present levels of stock prices we shall concentrate on the Dow-Jones Industrial Average. While this is not necessarily the best index of the movement of the stock market, it is sufficiently repre-sentative for the purposes of this study. In addition, it has the im-portant advantage of permitting us to relate directly the earnings and dividends of the Dow-Jones unit over a period of years to its price fluctuations. The record for the 30 years 1915-1944 is set forth in the attached table, along with certain economic data of major consequence. (The Dow-Jones Average now represents substantially the sum of 1/15 of a share of each of 30 leading companies. Hence, it is equivalent to about two shares of the average issue included.)

A. The Stock Market Pattern

A simple and powerful argument against the present level of ment against the present level of stock prices is presented by the stock market's own history. The Dow-Jones Average has sold above 185 at only two periods in its 50-year record—the first in 1927-1931 and the second in 1937. In the latter case the 185 level In the latter case the 185 level proved close to the top (194), following which the average declined about 50% in 12 months. In the great bull market of the 1920s the present level proved to be at the half-way mark; the average advanced to 381 in 1929, and then tumbled to the abysmal figure of 41 in the next three years. If the market's present position resembles that of either 1927 or 1936 it should clearly be avoided by both investors and speculators. The significance of the 1937 analogy is obvious, but it should be In the latter case the 185

The significance of the 1937 analogy is obvious, but it should be

it reached 185 in 1927 were destined to regret their policy. For although they could have doubled future market levels.

Installation way be called a fact to their capital and then gotten out at the peak, the very psychology that kept them in the market at 185 was almost certain to put them from escaping in time. almost certain to prevent

A subsidiary argument of con-siderable weight against the present market is the absence of any wide corrective reaction (say, more than 15%) since the turn of the tide in April, 1942. This, we believe, is without precedent in except that the history of stocksafter a 20% set-back in early 1926, the market then advanced fairly steadily for 3½ years until it met its doom. In one sense this carries a two-edged argument, since technicians may claim that bull market should have at least one respectable recession, with a subsequent advance to a still higher level, before its major trend is reversed. Whether or not this reasoning is persuasive, there would seem to be real danger of at least a good-sized technical set-back in the market at some time

in the next few months.

It is natural to refer to the market's action after World War I, but this may not be particularly relevant or useful. After moving irregularly in the last year of the conflict, and hesitating after the Armistice, the market entered upon a one-year advance which carried the average from 80 in November, 1918, to 120 in November, 1919. This rise accompanied a speculative boom in commodia speculative boom in commodi-ties and inventories, which culmi-nated in a market collapse and a deep depression. The level of stock prices was much lower throughout those years than at present, although the actual earnings on the Dow-Jones unit were considerably higher in World War I than in the last war.

Of somewhat different import than the preceding argument is the fact that bargain issues have the fact that bargain issues have practically disappeared from the stock market. If we define "bargain issues" for our purpose as those selling for substantially less than their net working capital, we find that present situations of this type are substantially limited to a few aircraft manufacturing and machine tool companies—in and machine tool companiesaddition to the investment trust and insurance company shares which have regularly sold at which have regularly sold at substantial discounts. Experience shows that when really cheap issues are scarce the general mar-ket is high; but, of course, we do not present this as an infallible principle.

A similarly unfavorable indication is provided by the very great percentage advance in low-priced stocks since 1941; also by the large number of new stock offerings at nominally low but in-trinsically unattractive prices (This might be referred to facetiously as "the current high price of low-priced stocks.") Secprice of low-priced stocks.") Secondary stocks in general have increased both their earnings and market price in recent years a good deal, more than have the leading issues comprised in the Dow-Jones Average. These advantages are related to the absence of competition under war conditions, and they may well prove temporary. prove temporary.

The inflation argument really belongs as the direct counter-poise to the bearish implications of stock market history. If the dollar is to lose a good part of its buying power, then it may prop-erly be claimed that future stock prices need not be governed by their historical upper limits which were expressed in better dollars. (Obviously, for example, the level of French stocks at a 4¢ franc in 1926 was much higher than it was under the 19¢ franc in 1914.) ogy is obvious, but it should be realized also that most of those who remained in the market arreal falls, it would still be true that

Inflation may be called a fact to the extent of the 40% advance in the index of wholesale prices be-tween August, 1939, and the pres-What will happen to whole sale prices from now on is; of course, a matter of opinion. The writer would reiterate the view, expressed in these columns in December, 1943 [Dec. 2, 1943, p. 1] that the odds are against largescale inflation growing out of lack of faith in the dollar. At that time it was our view that, even though inflation was not probable, the prudent investor should guard the prudent investor should guard against it in part by owning common stocks in addition to Government bonds. This advice was grounded on the conviction that stock prices (the Dow-Jones Average being at 129) were not intrinsically too high without regard to inflation; hence the investor would not be paying anything except through some mental wear-and-tear, for the recommended insurance. Now that the market is about 50% higher this argument of "cost-free insurthis argument of "cost-free insurance against inflation" can hardly apply.

Allied to the general pattern of Allied to the general pattern of market movements is the general pattern of speculative thinking. We are impressed by the fact that the speculative attitude appears to have changed greatly in the past three years, while the underlying facts and expectations are not much different than could have been forecast at the end of 1942. In its broad outlines, the war went about as anticipated: its war went about as anticipated; its effects on the position of corpora-tions and on the public's holdings of cash have also proved in line with projections. Experience indicates that when the market shows belated and rather spectacular recognition of conditions that have been in the wood for a long time, there is added reason for caution.

Consequently, taking all the market - pattern arguments together we should conclude that their net weight is unfavorable to the stock market, and would justify a selling policy. But this is only one facet of the question.

B. The Valuation of the Indus-trial Average by Formula

It is by no means customary for investors to decide whether stocks are high or low by first making an independent appraisal of the issues and then comparing the valuations found with the market price. The writer, however, uses this method as one of the tools of his trade—and he finds consider-able support for this practice in the widening extent to which such appraisals are being relied upon, in estate and gift tax cases, in corporate reorganization and capitalization proceedings, in merger negotiations, etc.

The general theory of appraisal can be quickly summarized. It consists of estimating future earning power, capitalizing this at an appropriate rate, and making generally minor adjustments for asset values or special conditions. Con-trary to first impression, this method is perhaps better appli-cable to a group of stocks—such as the Dow-Jones Average—than it is to individual issues, even though we are unable to make the selective distinctions as to future prospects which are so much stressed in stock market policy. The fact is that we are on safer ground in forecasting broad velopments, and allowing individ-ual variations to cancel out, than in attempting to differentiate bethe tween more or less favorably situated issues.

Although, in theory, it is only

expected future earnings that are to be capitalized, in practice there to be capitalized, in practice there of a considerably higher price current tax-bill discussions there is a strong tendency to accept past than 185 for the average. As has been a definitely expressed average earnings as the best against this rather obvious con-intention to grant equal relief in

guide to the future. This permits application of a definite formula. If we studied the record of the Dow-Jones Average since 1915, we would be somewhat surprised to note that the earnings have an obstinate tendency to fluctuate around \$10 per unit. This is brought out clearly when we se-lect the years in which general business conditions were about "normal" as measured by the Cleveland Trust Co. — Leonard Ayres Index. (These are 1915, 1924 and 1940. See our table.) What has changed definitely over the years is not the earning power the years is not the earning power of the industrial group, but rather the rate at which this expower has been capitalized.

This brings us to the most important bullish element which rests on established fact—namely, the reduction in the long-term interest rate. Between 1924 and 1943, this has fallen from about 5% to 2½% on first-grade industrial bonds. It may be argued dustrial bonds. It may be argued that if earnings of \$10 on high-grade industrials were worth about \$100 in 1924, they should now be worth about \$200—thus giving formal justification to the present market levels.

However, as the multiplier advances, we would be inclined to pay a fair amount of attention to asset values, especially since low interest rates tend ultimately to depress the percentage earned on invested capital. Our own formula would give 25% weight to asset value. On this basis, the "average earning power" of \$10, the multiplier of 20, and the asset value of about \$110 per unit, combine to yield an appraisal value of \$178 for the Dow-Jones Industrials.

Needless to say, these appraisal Needless to say, these appraisal methods are not as precise in their dependability as they are in their mechanics. We would consider that the net import of our appraisal is rather neutral. It suggests that the Dow-Jones Average is not necessarily high, in terms of intrinsic value factors, but also that it is obviously not on the low side. We should not ignore the fact. We should not ignore the fact, however, that in bull markets stocks tend to sell considerably above their normal or appraisal value. For this reason a neutral verdict on present prices, from the appraiser's standpoint, might log-ically be construed as rather en-couraging to the speculator, though not truly so to the in-

Affecting Stock Values

In giving this section about one-third of our over-all attention, we are probably showing a bias against the common practice of attaching decisive importance to future expectations, as regards 4—The present level of stock both the general market and in-dividual stocks. If we really knew what the future will bring that is all we would have to know; but since stock market people can only guess the future and since they have the embarrassing habit of guessing wrongly, it seems best not to lay too much stress upon forecasts.

Optimism as to future earnings on the expectation both of a shorter-term restocking. or "catching up," boom and a longer-term expansion in national income to levels far above pre-war figures. It seems practically certain that we have a period of very good business ahead of us, after reconversion is fairly well completed and manufacturers can meet the enormous pent-up demand for durable goods It is doubtful if total volume be as large as it was during the war; but with substantially lower tax rates, the earnings on the Dow-Jones Average might easily reach \$16 or more.

If this prospect materializes, it may seem to afford justification

clusion, we raise the question whether the market may not take as cautious a view of the restock-ing boom as it did of war earn-Both are essentially tempoary in their nature, and the n ket might surprise us by looking, say, two years ahead, to the end of the restocking boom, just as it persisted in looking ahead to the end of the war.

If we could assume that we are entering a permanent full employment economy, we could assume also that we shall have a permanently high level of business and presumably a permanently higher level of stock prices. nently higher level of stock prices. To us, this appears to be a dangerous assumption on which to base market policy. Upon analysis, we find only two substantial facts which support the hope of a "permanent boom." These are, first, the huge increase in the public's holdings of cash assets and second the great never sets, and, second, the great psy-chological emphasis now placed on the necessity for sustained full employment. We may hope that this new faith will move away the peaks and valleys of the business cycle, but we cannot avoid some unwilling skepticism on this point.

It would be one of the many paradoxes of modern economics if we did experience a permanently higher level of business activity a primarily from tivity stemming primarily from the public's increased cash assets. For this cash is only monetized government debt, and it represents at bottom an enforced resents at bottom an emotion sort to traditional but unsound methods of financing the war. According to the copy-book maxims, this enormous debt should ims, this enormous debt should bring us grief and not prosperity. Vet in our strange world, where the primary problem appears to be how to sell goods rather than how to produce them, this new "fiat wealth" of the country may actually contribute significantly to higher levels of business ac-

tivity.

Peering into the crystal ball, we should be inclined to forecast average national income and cor-porate profits well above the pre-war figure. This may well be found to justify an average price of stocks even higher than the present apparently dangerous levels. But this is only a guess, and it does not carry any implication that we shall be able to avoid sharp fluctuations of business activity and sharp declines in the stock market.

The three factors listed and not yet touched upon—relating t taxes, labor problems, and work ing capital—are subsidiary to the ing capital—are subsidiary to the general viewpoint just expressed. Lower taxes in themselves would not justify higher stock prices than before the war, for a 40% corporate tax is more than twice as heavy as the burden of 1939. There is much talk about cutting corporate taxes to zero or a mi-nor figure, but this appears to us neither a political nor a fiscal possibility.

In a thorough-going analysis, the factors of corporate working capital and corporate tax burdens would prove to be rather unex-pectedly joined. The working capital of non-financial companies has about doubled in six years increasing from \$25 to, say, \$48 billions. Nearly all of this exbillions. Nearly all of this expansion is found in the holdings of U. S. Government securities. On the surface, this appears very favorable to corporations. But there is another side to which little attention has been given. Out of a total increase of nearly \$250 billions in government debt, nonfinancial corporations have been able to add only some 10% to their assets. What is the amount of their offsetting liability, represented by their effective share of of the debt burden? Both at low and at high points, corporation taxes and personal income taxes have been about equal; and in the current tax-bill discussions there lower taxes to both classes of tax-

payer.
This suggests the disconcerting may This suggests the disconcerting thought that corporations may really have to bear about a 50% share of the government debt burden. If this is so, the visible increase of \$25 billion in corporate current assets is completely submerged by the invisible increase of \$125 billion in their chare of the pation's liabilities. share of the nation's liabilities.

In terms of balance sheet fig-

In terms of balance sheet figures this concept appears fantastic, but it is not so extraordinary to assume that corporations will pay an extra \$2 billion per year in income taxes to represent their share of the government's interest charges. With a doubled national income, and a corresponding tripling in corporate profits before ing in corporate profits before taxes, this added tax burden can be met with a smile. It still re-mains a paradox, however, that we can virtually close our eyes to the assumption by corporations of \$100 billion of hidden liabilities because we are optimistic as to the future level of business activity and profits.

Labor disturbances are nov eiving more attention than any other matter affecting stock val-ues. On this point past history is reassuring. We know of no period in which strikes have exerted a pronounced and contin-ued effect upon the market level. The prospect of wage encroach-ments must, however, be taken into account. Up to 1929, business mto account. Up to 1929, oursiness was generally able to pay increased wages out of increased productivity or higher selling prices; since 1929, there appears to have been a tendency for wage and tax costs combined to cut profit margins. The chances seem to favor a rising ratio of wages to national income. Consequently it is doubtful if earnings on stocks it is doubtful if earnings on stocks will increase as much as the level of business activity, unless corporate income taxes should be virtually abolished. (The reader will note in our table that the Dow-Jones earnings were only a shade larger on a \$78 billion national income in 1940 than they were on a \$38 billion national income in 1915, and they were slightly lower on the \$161 billion income of 1944.)

There remains the street of the street was a single property of the street was a street with the street was a street with the street was a street with the street was a str rate income taxes should be vir

There remains the political element—both domestic and inter-national—which is more likely to show itself in Wall Street psy-chology than in financial or business statistics. We shall not ven-ture to predict what these forces will be, when they will affect stock prices, or to what extent. The market is at present com-placent on these questions, but we greatly doubt that it will be a second greatly doubt that it will remain so indefinitely. Anyone with a feeling for history could hardly avoid the conviction that the next ten years are likely to be more interesting than tranquil.

This discussion of factors bearing on future earnings and values leads to very mixed conclusions, ter than in former bull ma with the weight of the argument and that is none too good.

John O. Wheeler With Tomorrow's Markets H. O. Peet & Co.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, MO.—John O. Wheeler has become associated with H. O. Peet & Co., 23 West 10th Street, members of the New York Stock Exchange. Mr. Wheeler has recently been serving in the U. S. Army. Prior thereto he was a partner in Kulleck, Wheeler & Co., and was with W. C. Pitfield & Co.

perhaps in favor of appreciably higher average earnings and divi-dends for stocks than in the pre-war period. The danger of con-siderable fluctuation in business conditions and market levels has, however, by no means vanished.

Summary

The three different approaches used in judging the present level of stock prices have yielded di-verse indications. From the first, or historical, approach the mar-ket appears distinctly on the high side and vulnerable to a substan-tial setback. Contrariwise, our second category—that of apprais-al based on figures and formula— about supports the present level, and suggests that the familiar bull-market enthusiasm might bull-market enthusiasm might well carry prices considerably higher. Our third approach, through guesses and projections as to future developments, supplies plenty of material but no

what is the net significance of this analysis for the speculator and the prudent stock investor?

Let us define the speculator as one who seeks to profit from market movements, without pri-mary regard to intrinsic values; the "prudent stock-investor" as one who (a) buys only at prices amply supported by underlying value, and (b) who determinedly reduces his stock holdings when the market enters the speculative phase of a sustained advance.

This speculative stage, we are convinced, is now at hand. Hence, the principles of the prudent investor will require him to lighten significantly his holdings of common stocks-the precise selling policy to depend, of course, on his individual position and methods. For the stock speculator we can say little that is helpful. We think he has a fifty-fifty chanceor perhaps a little better-of seeing the market attain substantially higher than present heights, subject to the probability of intervening reactions. But his chance of eventualy holding on to the profits he makes beyond the current level, we should term no better than in former bull markets-

DOW-JONES INDUSTRIAL AVERAGE

			COLICIA	LAVER	.U.	27 2 2 1 4 1	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Did to the second					F. R. B. *Nat'l Wholesale Index of		
			Aver. Mkt.	Price-			
	Earns.	Divs.	Price	Earns.	Income	Price	Industrial
-1915	\$10.59	\$2.20			(billions)	Index	Product'n
1916 i	18.62	4.27	74	7.0	\$38	70	12 FT
1917			95	5.1	45	86	See an arrangement
	16.18	5.63	88	4.0	53	118	
1918	13.77	5.64	81	5.0	58	131	
- 192 0 (3	6.74	4.07	100	7.2	66	139	72
1921	0.74	3.44	90	13.4	73	154	75
1922	0.00	2.96	73	7 3 -+ 31	58	98	58
1002	8.20	3.38	93	11.2	61	97	73
1923 1924 4		3.94	95	8.3	71	101	- 88
-1925	10.52	4.27	100	9.5	71	98	82
		4.17	135	9.9	75	104	90
1926	14.44	6.35	153	10.6	80	100	96
1927 1928	13.18 ,-	5.54	176	- 13.3	79	95 *	95
1928	15.36	5.92	226	14.7	81	97	99
-1929	19.31	7.06	311	16.1	83	95	- 110
1930		7.44	236	-23.4	69	86	91
. 1931		6.73	139		55	73	75
1932	.31	4.09	65	the for their	40	65	58
1933	2.57	3.03	84	337223	42	-66	69
1934_1	4.68	3.28	98	20.9	50	75	74
1935	6.78	4.12	120	17.7	56	86	87
1936	9.98	7.07	162	16.2	65	81	103
1901	11.41	8.15	166	14.5	72	86	113
1938	6.07	4.84	132	21.8	64	79	89
1939	9.33	6.30	143	15.3	71	77	109
1940		7.05	135	12.4	78	79	125
1941	11.46	7.50	122	10.6	97	87	162
1942	9.22	6.50	107	11.6	122	99	199
1943		6.50	135	13.9	149	103	239
1944		6.40	143	14.2	161	104	235

* Source: 1915-1928 U. S. Dept. of Agriculture. 1929-1944 U. S. Dept. of Commerce.

Walter Whyte Says-

By WALTER WHYTE

Continued general market strength hides negative action of traders. Sharp advances in thin stocks attract new buyers daily. But stocks can be equally thin on declines.

A two-day market holiday did little to cool the ardor of buyers rushing in to participate in what is now beginning to be called the inflationary advance. Some stocks even opened higher than their previous close. The specialist in one stock, for example, was suddenly hit with 1,800 shares of buy orders Monday morning and couldn't open the book because of insufficient selling orders. There was a meeting with the Governors, and when stock finally opened it was up a couple of points.

This kind of buying is typical of public entrance with a vengeance. It sets stocks off on mad races nobody knows the end of. It is also the kind of a market that makes for sudden and sharp advances which in turn bring out all kinds of fantastic forecasts. The dangerous part is that people actually believe all the wonderful things they hear, add to them, and pass them on as something that is "sure to happen."

Brokers' offices are busy places these days. The average customer's man doesn't have to worry about getting his accounts to trade. are all too anxious to trade

Cleveland Bond Club Winners at Outing

CLEVELAND, OHIO — The Bond Club of Cleveland was host to the Bond Clubs of Toledo, Cinto the Bond Clubs of Toledo, Cincinnati and Pittsburgh, at its fall party, held at the Country Club. In the inter-city golf competition the Cleveland Club won individual trophies donated by Harry Hosford, with Cincinnati nosing out Toledo and Pittsburgh for second place honors. Representing the Cleveland team were Joe Fogg Jr. of McDonald & Co.; Herb Covington of Harriman Ripley & Co.; Mel Cox of Curtiss, House & Co., and John Hay of Merrill, Turben & Co. Joe Fogg and George Phillips of W. D. Gradison & Co., Cincinnati, shared low gross honors, both scoring 77s Pittsburgh money won the top prize in the \$1,000 Victory bond raffle. About 130 attended the party, presided over by Paul Eakin of Hornblower & Weeks, President of the Bond Club.

Freeman Joins Staff of Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE) CHICAGO, ILL-Clarence P. Freeman has become associated with Harris, Upham & Co., 135 South La Salle Street. Mr. Freeman in the past was with Sutro at its 1939 level. These are Bros. & Co. for a number of years. just a few stocks which show

All they want is to be told what to buy and how much they can take on. Credit balances are a thing of the past Customers resent being told that some of their stocks should be sold to create purchasing power to take advantage of any possible break.

It is true that during most of the current advance debits haven't risen, and to that extent it might be said that the advance is not based on borrowed money. But it is equally true that the lack of debits is mainly due to the new margin rules. But whether the market was financed by borrowed money or not, it cannot stand up under liquidation once it starts. no matter how sound the credit structure. The man who is reluctant to sell today bases his reluctance on the belief that present prices will be improved. He faces the future with calmness firm in the belief that nothing can hurt him because he owns his stocks outright or close to

You can be certain, however, that this same man will fall all over himself to get rid of his stocks, outright or not, if a decline sets in. Such selling wouldn't be bad if it was limited to the so-called bad stocks, viz., stocks which are in the red. But when it comes to selling, few people get rid of their dogs. They hold on to them and sell their good they avoid taking losses. The truth is that the man who can take a loss — rapidly — will make more in the long run.

That stocks are daily becoming hard to buy is also quite obvious. Stocks like Distillers Seagrams and Eastern Air Lines are indicative of the thin markets. Incidentally, you can expect an increase of this stock-splitting gimmick which comes up every time the public has the rubber band off its bankroll. But the same scarcity of stock which brings about sharp advances brings about equally sharp declines. A stock which goes up a few points between sales can drop the same few points on selling. In fact, process is usually faster on declines.

A number of stocks are in trouble right now, despite the general market strength. American Smelters meets selling at 62; Delaware & Hudson between 44 and 46: Chrysler is in trouble from 126 to 130; Bethlehem looks like it has a few more points left in it; Dupont is right in the middle of its barriers, 90-93; General Motors has difficulty with the 75 price and U. S. Steel at 80 is right

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reaction signs. Yet if these go down it is almost a certainty that the rest of the list will do the same.

So in spite of the fact that seem to be in the minority, I advise no more buying at these prices. Instead I suggest raising stops in the four stocks you are still long of. Here they are:

.A. M. Byers, raise from 19 to 20½. Originally bought at 19 and half sold at 21. . . Jones & Laughlin, raise stop to 39. This one was bought at 35 and half was sold at 41. Incidentally stock shows some evidence of being able to go to 45. But if it breaks the 39 level it is doubtful if it can see the higher price without going through a long resting period. . . . Paramount's stop is now raised to 37. Bought originally at 30½, stocks (those with profits) on half was sold at 35... White the theory that in that way Motors, raise stop to 33. This one came in at 291/2 and half was sold across 35.

More next Thursday. —Walter Whyte

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

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Distribution Problems of Reconversion

the amounties or war required real organizing and business abil-

ity.
We need that ability now to We need that ability now to achieve our peacetime goal of full employment and full production. To reach that goal we have to be guided by the same fundamental principles. Whether it is in the establishment of broad policies for the same purpose welfare or in meet. the common welfare, or in meeting our day by day operating problems, we must keep these prime fundamentals in mind:

First: — That low production means high unemployment in the long run-and in the immediate future it means inflation.

Second:—That mass production and full employment provide the

and full employment provide the only possible key to the bountiful future we all hope to create.

Our productive resources and skill have made us the most powerful country on earth and have given our people the greatest opportunities and freedom.

Through the fullest utilization of these skills and resources under the country of the skills and resources under the country of the skills and resources under the skills are skills and resources and the skills are skills and resources and the skills are skills and resources and the skills are skills are skills and resources and the skills are skills are skills are skills and resources and the skills are skills and resources and skills are skills are skills are skills and resources are skills are

of these skills and resources, un-der our democratic system of free enterprise, we intend to become

enterprise, we intend to become even greater, and to add to our political freedoms the economic assurances of security.

I'm sure you agree with that objective. There may be differences of opinion as to "how" we should reach that goal, but there are no real differences as to "where" we want to go.

It would be pleasant to be able to tell you that what lies ahead is the businessman's utopia where

the businessman's utopia where the markets are booming and taxes are falling, where jobs are plentiful and profits abundant. I wish I could tell you that you have finished your job, and that now it is someone else's responsito keep things running bility

smoothly.

I sincerely believe that we have t within our power, as a people and as a nation, to build such a future. But we have to do the construction job. It won't just happen. Between us and the attainment of that goal are some difficult roads—and some hard jobs

Peace Problems of Distribution

During the transition periodchangeover from war to a the changeover from war to a freely operating peacetime economy—you distributors are facing problems as great and important as any you had during the war. For six years our national income—the money people have with which to buy your goods and services—has climbed, year after year. Now it is declining.

This is because the Government is stopping its expenditures for

In this is because the Government is stopping its expenditures for war. Before V-J Day the Government's expenditures for war amounted to 42 cents out of every dollar spent for goods and services in the United States. But by the end of this year war expenditures will be down to 20 cents out of every dollar spent and by the of every dollar spent and by the end of 1946 they will be down to

Increased Demand Forecast

As a result of cancelled war contracts and demobilization of the armed services, unemployment is increasing and the weekly pay envelopes of men and women remaining on jobs have been pay envelopes of men and women remaining on jobs have been growing slimmer, through loss of overtime pay, reduction in average hourly earnings and through transfer from war jobs to peacetime jobs that pay less because they require less evacting chills. require less exacting skills

That's only one side of the picture, however. In spite of these cuts in income, the backlog of consumers' needs for durable goods is fremendous. For instance, the accumulated demand for durable household goods is estimated to equal about two years' release. to equal about two years' sales at the 1940 rate.

its marriage rate increases. At present there are about 1,200,000 more married couples in our population than there would have been had not war occurred. A high proportion of the seven million couples who have married during the last four years have not set up housekeeping. They not set up housekeeping. They have not had an opportunity to purchase the furniture, the rugs, the pots and pans, refrigerators, washing machines, stoves and other household equipment they must have to establish their own

Within a year after the service-

men are demobilized we can expect marriages in this country to reach an all-time peak.

There will be a continuous upswing in demand for the furnishings and all manner of household appliances which newlyweds

These new families' needs will be reflected also by increased demand for new housing. During the war, we have not been able to keep pace with even normal demand—and now the demand is far above normal. Many millions of homes must be built in the immediate years ahead to catch

immediate years ahead to catch up with the market.

These needs very often will be coupled with the financial ability

coupled with the financial ability to buy.

Cash, bank deposits and Government bonds in the hands of the people have trebled since 1940. Liquid assets in the hands of individuals now total more than one hundred and twenty-six bilings of dollars. In three and lions of dollars. In three and a half years of war our people saved more than they would have saved in 10 years at the 1940 rate. They accumulated these savings because the Government asked them to as a deterrent to saved in inflation and because many of the goods they wanted to buy were not on the market.

Inflation Threat

Now that these goods are becoming available again, the demand for them will surpass supply until our manufacturers can expand production. Here is where the dangers of inflation are greatest

We must fight this threat of in-flation as we would the plague. The first and best way to fight it is to produce more goods.

There is reason for optimism on this score.

Despite the inevitable interruptions and bottlenecks, reconver-sion is going ahead. We know that our manufacturers are displaying courage and imagination in planning their future output As reconversion is completed and expansion of production gets un-der way, thousands of new prod-ucts—as well as a record-breaking volume of new models of prewar products—will begin to flow from our factories.

products—will begin to how a cour factories.

The postwar plans of your own New England manufacturers are an example of what is happening all over the country. The New England Council conducted a survey which indicated that about 75% of the manufacturers in this area are planning to utilize war area are planning to utilize war developed facilities and skill to produce new products, many of which have never before appear-

which have never before appeared on the peacetime market.

National surveys have indicated that production of aluminum products in the next year will increase 200% above the 1939 level; production of plastic materials will go up 161% and there will be an increase of 132% in the output of rayon and allied products. output of rayon products.

We have resumed production of more than six hundred articles of iron and steel that have not been made for civilian use since early in 1942.

The Task Ahead

The annual increase in the number of families in the United States averages about 550,000. Invariably, when a nation is at war, of wartime business.

We must boost our production and expand our distribution of peacetime goods as rapidly as pos-

We must, until such time as supply begins to catch up with demand, hold the line against runaway inflation

We must maintain the income— the buying power—of our people at high levels.

We must, within that frame-work, plan for a steadily rising standard of living for all our people, and increased opportunity and markets for business and for

le farmers. Upon the broad outline of this program—which is really the National policy for full employment and full production—there is unanimous agreement throughout

The increase of production ultimately will eliminate the threat of inflation, since it is essentially of inflation, since it is essentially the shortage of many goods that creates the danger. Production also is the key to your own problem of meeting the expanding needs of your customers. But increasing production will take time. And in the meanwhile, we want all hold the line against in must all hold the line against in-

flation.

As consumers we don't want to see prices skyrocket. As businessmen we want it even less. A big rise in prices would kill off our ultimate market and ruin our chance for stable prosperity.

Mistakes After Last War

Most of you here can remember the tragic errors we made after the last World War when all con-trols were dropped almost immediately after the Armistice celebration.

Then, as now, there was Then, as now, there was a tempting accumulation of deferred demand and high purchasing power. The few wartime controls were quickly lifted. Prices went up and up. A race to exploit the lucrative market got underway with little thought of the future Orderly's extends of the future. Orderly methods of business were put aside as un-healthy competition for scarce items developed. In an effort to protect themselves against swift-ly rising prices, wholesalers and retailers sought to build up abnormal inventories. Duplicate and triplicate orders were filed with many different manufacturers. In the factories, these orders built a false backlog of demand, and

prices soared.
High prices had their inevitable High prices had their inevitable result. Sales fell off and consumer demand dwindled. Cancellations of those duplicate orders began to flood into the factories. Prices began to tumble. A race began to get rid of surplus inventories at almost any price, to hadra losses to hedge losses

At the factories, there were lay-offs and purchasing power faded. The accumulation of deferred de-mand was gone. In May, 1920 the collapse came.

The loss on inventories alone in a single year amounted to 11 billion dollars. This was enough to wipe out completely the business re-serves accumulated during the war period. As a result more than 106,000 businesses went into bankruptcy; 450,000 farmers lost their farms through foreclosure, and one-sixth of the nation's working force was idle.

Certainly all of us have learned a lesson from that unhappy experience. We know now that only disaster could result from abrupt removal of price controls from scarce goods. We owe it to ourselves to prevent the start of the destructive cycle of boom and collabre that comes with runaway. lapse that comes with runaway

Danger in Large Inventories

Certainly, we can appreciate also the danger in unnecessarily large inventories. To assure that none will suffer from hoarding, or pre-emptive buying, at the inflation, we have had to ask dis-hands of competitors, the Governtributors wherever possible to ab-through Oct. 24, 1945.

ment is maintaining inventory controls during this emergency period. They are another of the period. They are another of the guarantees against a recurrence of the business tragedies after the last war, and I'm sure you appreciate them as such. They will be removed as soon as supply begins to approach demand.

During the war, you distributors learned how to operate with minimum inventories. You learned that in many instances, this ac-

minimum myentories. You learned that, in many instances, this ac-tually decreased your operating costs by reducing waste and break-age in storage. It is essential that you continue operating with mini-mum inventories until manufacturers have had an opportunity to complete the reconversion job and to expand peacetime production.

In this immediate period of consumer goods scarcities the Government will need the help of all distributors in moving its accu-

war goods.

We do not intend to flood the market with goods which will compete with the products of industry.

The Surplus Property Adminis

The Surplus Property Administration is encouraging the development of new markets for surpluses. Through this encouragement new and probably permanent markets will be developed for the producers and distributors.

The Surplus Property Administrator as you know is an experi-

trator, as you know, is an experi-enced businessman, and he is seeking the advice of business-men. Already the assistance of some twenty-six hundred experts from industry and the distributive trades have been enlisted as con-sultants on these important ques-

Will the item sell in the com-mercial market in its present form? For what use? For what

form? For what use? For what possible alternate use?
At what level or levels of trade will they sell? At what price to the consumers?
In what size lots should goods be packaged? What are the customary trade discounts?

Taxes

Another essential part of the Government's program for reconversion is the reduction of taxes. The Congress is now at work on a transition tax plan.

Our Federal tax structure must soon undergo a thorough over-hauling, but pending the accom-plishment of that time-consuming immediate relief is being

Reduced taxes, however, are not Reduced taxes, however, are not the only factor which will help to strengthen the profit position of business. All along the line—from factory down through the various levels of distribution—savings in unit costs will be possible through curtailment of overtime pay, through increased pro-ductivity of workers and the more efficient techniques developed during the war. Smaller unit profits can bring greater total profits by stimulating an increased volume of sales.

Importance of Good Wages

Wherever possible a share in hese savings should be passed on to the workers to keep their earn-ings and their purchasing power in balance with the cost of living I am sure that employers, gen-erally, acknowledge the impor-tance of good wages in maintain-

tance of good wages in maintaining the American market.

Labor, on its part, must realize that workers must not press for wage increases beyond what may reasonably be granted, otherwise it will serve to bring on the very thing that would make labor's gains meaningless—runaway inflation. And again let me say we must at all costs avoid that.

I know you are all weary of wartime restrictions on your business. You would like, without doubt, to return to normal trade practices. We in Government, too, would like to be rid of the con-

would like to be rid of the controls. We have removed many and the rest will be removed as fast as it is prudent to do so. In maintaining the line against

sorb higher costs as a result of necessary increases granted to manufacturers. Increased produc-tion which is our goal is the one thing which ultimately will prething which ultimately will prevent inflation. In that increased production also lies the key to your own future profits. And keeping prices down now will help you to maintain your market. No one knows better than the distributors of America how total profits mount when mass markets can be developed with low unit profit items, and in-creased volume.

During the war, as the volume of sales increased, the unit costs of doing business dropped. On the whole the dollar earnings of re-tailers have shown substantial in-creases. In department stores, for example, the ratio of net profits before taxes on sales increased from 1½% in the 1936-39 period to 12% in 1944. Sales this year to 12% in 1944. Sales this year have been running ahead of last year's volume and show every in-dication of continuing to do so. And last year was the best on record record

After careful study it has been concluded that distributors should be able to absorb, without undue hardship, many of the moderate price increases which must be granted to manufacturers.

granted to manufacturers.

Keeping inflation in check cannot be entirely painless. There are bound to be many irritations and individual hardships. But we promise you that we will do all in our power to eliminate inequities and maladjustments which are bound to crop up, and to take care of all appeals on hardship cases promptly.

Your Government asks you for

Your Government asks you to make a special effort to work under the policy which has been laid down in the public interest. Ad-mittedly, it will not be easy. But these are not easy times. We are striking out for a greater future of full employment and full production that can mean better times for everyone. All our ef-forts to stimulate production so that you will have a greater vol-ume to distribute will shorten the time during which the controls must be kept in force.

The problems we are facing are big—but they are not too big to be solved quickly and fairly if we get together—business, labor and Government—around the table Government—around the table and, in the American spirit of give and take, find common grounds of understanding. We have a common purpose and there should be no essential disagreement on how we will attain it.

Cincinnati Gas & Elec. Issues Marketed by **Banking Group**

Morgan Stanley & Co, and W. E. Hutton & Co., managers of the group which was awarded on Tuesday \$45,500,000 the Cincinnati Gas & Electric Co. first mortgage bonds 2¾% series due 1975 and the underwriting of an exchange offer of 270,000 shares of cumulative preferred stock 4% series, are making a public offering of the bonds today at 101 and interest to yield approximately 2.70%. The Securities and Exchange Commission declared effective the post-effective amendfective the post-effective amend-ments after a hearing as to whether or not the company's whether in the Morgan Stanley-W. E. Hutton group on the basis of a combination bid should be set aside. At the SEC hearing in reaside. At the SEC hearing in regard to the post-effective amendments a protest was made by an unsuccessful group which did not submit a bid for the underwriting the preferred stock exchange offer.

The 270,000 shares of cumulative preferred stock 4% series are being offered at 106 to holders of the company's presently outstanding 400,000 shares cumulative 5% preferred stock series A and the will continue

A French Financial Expert Speaks

The recent decision by the French Government to supplement the payment of American GIs located in France was indeed a recognition of the fact that the present official rate of exchange of the franc is not realistic. istic. Another recognition of this fact, at least by implication, is the policy, now several months old. policy, now several months old, of taxing importers so as to subsidize some exporters. The subsidies given to exporters vary according to product and circumstances. This subsidy system is not a very good system, even though the subsidies themselves might be justified, for the reason that it looks like discrimination.

As to why the two-cent rate for

the franc was selected, when that rate was fixed, consideration was given to the price level throughe French Empire and not in metropolitan France. simply The two-cent rate might have been a good rate had France not experienced a price rise after liberation. In fact, we had an increase in prices fundamentally caused by the demands by workcaused by the demands by workers for wage increases, also there was a heavy budget requiring deficit financing. There might also have been a prestige factor in the selection of the two-cent rate. As to why the rate was changed from 75 francs per dollar, some wanted the prewar rate of approximately 48 francs per dollar. France has something less than \$2 billion dollars in gold. There is not much dollar exchange itself in the French Treasury and that held by the Bank of France is negligible. But there are large private holdings of dollar assets.

private holdings of dollar assets.

As to whether France is inclined to use its gold to meet its overseas requirements, the first purchases France has made in the United States have been paid for

with gold. He added:
Naturally, it is a good policy
not to use up all of our assets. not to use up all of our assets. It is better to have the wheels of credit turning again. It is an elementary principle of sound finance to borrow while you still have assets. In that way it is better to obtain credit. In bank credit, generally, liquid assets are important. France must increase its imports for re-equipment imports for re-equipment. From the United States' point of view it is better that gold be distributed all over the world. If distributed all over the world. If you insist on getting gold for everything you sell, you will have all the gold in the world. At least so far as Europe is concerned. I feel that public opinion is very much attached to gold. The best proof of that is the black market price of gold, which must be five or six times the official parity.

parity.

As for silver, there is no French monetary sentiment for

French Position on Gold

The Bank of France sells gold only if necessary, as for the export of jewelry. If General deGaulle were to make a gift of a gold article to President Truman, the jeweler could obtain gold for that purpose [White House please note!] Now even dentists in France have difficulty in obtaining gold and are asking their customers for old gold.

That France will return to the That France will return to the use of gold coin in circulation does not appear likely in the visible future. France does have its advocates of the old gold standard, as does the United States. There is a difference between the feeling of the people and of the leaders as to gold. The majority of French leaders see that gold will create beforehand a mechan-

than it is exporting and, in that is a good means of settling speposition, finds it advantageous to have the franc overvalued.)
When and how much the franc is devalued will be up to the Minister of Finance to decide.

The recent decision by the recent decision by the recent decision by the set of the se

although without necessarily fixing an exact ratio.

There is today no fixed ratio between the gold reserves and the note issue in France. There used to be, but the policy changed without being publicly proclaimed. One day we simply did not publish the ratio. This was after liberation.

If we used our gold that would

If we used our gold, that would be an element of instability—that is, if the French people should one day be told that there is not an ounce of gold left in France. Actually, we have used France. Actually, we have used a considerable amount of gold, perhaps as much as one-fourth of our gold stock, to buy in the United States, although I am not sure of these figures.

As to what would be the proper rate of exchange for the france after the coming devaluation, this

after the coming devaluation, this is not something on which an official of the Bank of France should comment even off-the-record, but it may be stated accurately that a great many people in France who have studied this subject closely are thinking and talking in terms of a one-cent franc.

Exchange control will be with us for a long time. It will take a long time to get rid of any other controls. Getting rid of it depends entirely on the foreign-exchange possibilities. If the then Government of France found it possible to dispense with its exchange control without produced to the possible to dispense with its exchange control without possible. change control without endangering the economy or inducing a flight of capital, it would do so. Certainly, many people would be willing to do it. But some poli-ticians of the Left think that we need to retain as many controls as possible. The main considera-tion in removing exchange con-trol will be that of the flight of capital, although at the present moment the main consideration is economize the foreign ex-ange resources. There is a change resources. There is a need for France to be cautious. If it were just a case of France alone, there would be a great in-ducement to get rid of exchange control.

Bretton Woods Program

The Bretton Woods program is complicated, but everyone in France who knows what Bretton Woods is favors that program. The reservations which France wanted to make at Bretton Woods are relatively minor. Of course no one can speak for the next National Assemble. tional Assembly. It seems clear that Bretton Woods is a very important mechanism to get rid of currency wars. While all of the currency wars. While all of the responsible French people favor Bretton Woods, its approval will be up to the new Assembly, which convenes sometime in the first half of November. The Assembly will have to take some action before December 31.

Certain French will make use Bretton Woods institutions. Bretton Woods institutions. Bretton Woods is not for big loans but a minor mechanism. The real meaning of Bretton Woods is to ease the exchange situation in times of temporary stress. We consider the Bretton Woods Fund really a way of oiling the average of the street of the street woods. really a way of oiling the ex-

change mechanism.

As for the Bretton Woods Bank As for the Bretton Woods Bank, it will act like the Export-Import Bank now acts, lending for specific purposes, probably for reequipment, increasing the productive capacity of the country, and so enabling the borrower ulti-mately to increase its exports or diminish its imports.

ism for borrowing—but that will not change the basic policy of France. Without the Bank, France still will want to borrow, whenever borrowing is necessary for improving the economy.

Nationalization of Banks

Concerning the demands that the Bank of France be nationthe Bank of France be nationalized, this talk seems to have died down. The Bank of France is not controlled by 200 families. The Governor of the Bank of France is appointed by the Ministry of Finance with the approval of the Prime Minister. It should also be noted that the Conseil General of the Bank of France is made up chiefly of governments. France is made up chiefly of gov-ernment officials, while the shareholders of the Bank have almost nothing to say about the conduct of its operation. Of course, we do have a general assembly of shareholders, but practically they are powerless.

Nationalization of big commercial barbar has been talked.

rationalization of big commercial banks has been talked of in France; but as for the Bank of France itself, it is already defacto nationalized. While de jure nationalization is possible, whether it is brought about depends on the feeling of the Assembly.

The big commercial banks are The big commercial banks are very much afraid for themselves. They would agree to greater discipline in the distribution of credit in such way as to help the economic revival of France. It is being recognized that credit is vested with a public interest. This does not mean making bankers into government functions ers into government function-aires, with all the red tape that goes with being a government official. Many people think that banking is a separate profession, a profession of taking risks, and that this is definitely not the function of the State. This recog-nition is evident, for example, where a government agency has financial dealings with an indiers into government functionfinancial dealings with an indi-vidual, but asks a private bank to take the responsibility for the financial obligation. The administration (civil servants) recog-nize the need for a privately

operated banking system.

Four or five large banks are principally concerned with the threat of nationalization, includ-

Associatee General Banque Societe General Banque Comptoir du Centre

Credit Lyonnais Credit Commerciale de France Credit Industriel et Commerciale

Banque Nationale pour le Commerce et l'Industrie

These big banks are not definitely or immediately threatened with nationalization, but some parties of the Left have hinted at On the other hand, at the Right there is general agreement on the possibility of greater dis-cipline among the banks. The Bank of France might have Bank of France might have greater authority than it now has over the commercial banks; something like the practical working of the Bank of England. Where-as in England this is done without formal statute, in France it might have to be made de jure. More and more in France the

banks are working in cooperation among themselves, and with the Bank of France. As an example, suppose that a commercial bank would like to get rid of Treasury bills to make loans to customers. I do not think they would do it without fear of objections of the Bank of France and the Ministry of Finance. I can not imagine a commercial bank saying: "I do as I please." There is an undefined moral authority. A bank that said "I do as I please" would look

Socialization of Industries

Concerning the nationalization other private enterprises, in of general nothing more is being done on that for the present. A good part of the coal mining industry has been nationalized in Northern France, and reimburse-ment has not yet been completely determined, but it has been prom-ised that the stockholders will be indemnified out of future coal output.

One automobile concern, nault, has been nationalized because of the attitude of the the owner, who collaborated with the Nazis. In this case, collaboration was the pretext for the company's nationalization.

There has been agitation for the nationalization of insurance and electric companies, but nothing specific has been done as yet and the question is now at rest.

As to the viewpoint of the De-Gaulle Government on socializa-tion, it should be observed that the DeGaulle Government is really a resistance government and not a government of any one political government of any one political view. However, the majority of its members seem to lean toward the left. A re-election will be held in October. This will put before the people first, the question of whether they want the elected Assembly to be empowered to make a new Constitution or not. If the answer to this question is yes, the people must also decide in the coming election what in the coming election what powers the government will have thereunder. A part of the referendum of next month is a specific bill on this subject. It is a quesa balance of power tween the Assembly and the Government.

During the last three months

there has been a definite improvement in the economic situation in France. This is noticeable particularly in the railways, where bridges and other facilities have been repaired. Port facilities also have been improved, while coal output has increased and imports have been coming in.

Prior to the nationalization of the coal mines and just after Liberation there occurred a marked decrease in coal output. The decrease had several causes, thus, miners were dead tired after the period of Nazi enslavement and they were underfed and discourse. they were underfed and discouraged. Slowly their spirit improved, although they were still underfed for a long time. Now their rations and their wages have been increased and they are def-

initely working better.

The railway workers have worked prodigiously.

Concerning the spirit of the people, while it is immoral not to o bey government regulations, sometimes those rules are not well devised, which makes the people feel abused. A case that comes to mind is where a farmer is asked to sell at less than the cost of the product. Another is where a consumer does not feel fairly treated. In such circumstances people resort to the black mar-

Emergency Ended In Amortizations Under Revenue Code

Proclamation was made by President Truman on Sept. 29 of the end of the emergency period defined in Section 124 of the Internal Revenue Code, which proternal Revenue Code, which provides for special amortization of plants or other facilities constructed or otherwise acquired for war purposes, the "Wall-Street Journal" reported from Washington, Oct. 1, and continued:

Such facilities, if certified as necessary to the war effort, could be severated over a five year and

be amortized over a five-year period, starting with the first month after completion of construction or of acquisition and ending, if not required for the full five years, with certification it was no has been placed at \$1.7 billion.

Maxwell Heads Comm. Of N. Y. Group of IBA

John C. Maxwell, of Tucker of thony & Co. was elected Anthony & Co., was elected Chairman of the Executive Committee of the New York group of the Investment Bankers Ass tion of America at the group's an-nual meeting. Other new officers



John C. Maxwell Hearn W. Street

are W. Manning Barr, of Barr Brothers & Co., Inc., Vice Chair-man, and Hearn W. Streat, of Blair & Co., Inc., Secretary-Treasurer.

Governors of the Investment Bankers Association, elected to serve one year as ex-officio mem-bers of the New York group, are Ranald H. Macdonald, of Domi-nick & Dominick, and Clifford Hemphill, of Hemphill, Noyes &

Elected to serve three years as members of the Executive Committee were Wickliffe Shreve, of Lehman Brothers, and Reginald W. Pressprich Jr., of R. W. Pressprich & Co.

As retiring Chairman Frank A. Willard, of Reynolds & Co., will automatically serve one year as member of the Executive Committee.

longer necessary or with a Presi-

longer necessary or with a Presidential proclamation of the ending of the emergency.

In either of these events the taxpayer, whether corporation, individual or partnership, may speed up his amortization to cover the period of necessity. He may elect to amortize the plant, or other facility for the period it was required for war production, recompute his taxes for previous years on the basis of the thus increased amortization and get a creased amortization and get a refund. Or he may elect to depreciate the unamortized balance in the ordinary way.

The President's proclamation stated that utilization of a substantial portion of the emergency facilities with respect to which certification has been made under the code as amended is no longer required in the interest of national defense and that the emergency period defined in the code ended as of Sept. 29. Emergency plants and facilities running into billions of dollars were built or acquired under certificates of necessity. The great majority are not yet fully amortized under the section. The President's proclamation now confronts industrial companies, utilities and others, as well as individual taxpayers, with the question of how they will treat unamortized balances.

In the vast majority of cases, especially in respect to corpora-tions that have been paying excess profits taxes and whose tax: rates may be thus expected to be lower in the future, it is likely that advantage will be taken of the privilege to speed up amorti-

What About Foreign Loans?

one, including pankers, were for it. Our Congress approved the plan. Other countries are likely to follow. The talking stage will soon be over. Our country is embarking upon one of the most significant steps in its banking his-

Since the United States puts up the lion's share of the money, it is assumed the Bank will be located somewhere in this country. Most of the present tack centers around New York or Washington.

For our stake in the venture, we must look beyond the first step. Is is in Step No. 2, we really put up the big stakes, and this is not widely understood in the United States. The total author-ized capital of the Bank for all countries is \$10 billions, to which the United States subscribes about \$3 billions. However, only 20% is paid down. The balance is represented by pledges to be called later in case some of the borrowers default and the Bank has to make good. It is at this point the rank and file of American investors may become concerned, for in all probability they will own most of the bonds which the Bank guarantees. Our Government will guarantees. Our Government will put up only about \$600 millions to get the Bank going, but private investors in this country could conceivably put up as much as \$9 billions to buy the guaranteed bonds. Certainly at present our country is the most likely place to sell such securities.

to sell such securities.

Once the pattern for floating these loans is established, we may be assured a world hungry for dollar credit will beat a path to our door. The line forms on the our door. The line forms on the right. We shall be asked to spread our low-cost credit over the face of the globe. Few people realize the importance or imminence of this development, which is just around the corner.

We are so blinded to financial speed and large figures that we lose our sense of proportion. The first railroad bond issue was sold in 1831. In a century, the rail debt in private hands has reached \$9.8 billions. In half a century American investors have built up their holdings in utility bonds to their holdings in utility bonds to about \$10 billions. They now have invested a total of \$9.6 billions in the capital funds of our 15,000 banks.

Within a decade, however, we may see all of these figures top-ped by the amount of private money which goes into foreign bonds. Indeed, the Bretton Bank alone may become the second largest borrower in this country, being exceeded only by our own Government. It is no piker's game we are starting.

Who will sell these bonds to the American investors? The answer seems to be investment bankers will be expected to do the job. That being the case, they should have a real part in the plans and councils which have to do with these flotations. If the bonds go bad, investors will blame the bankers who sold them.

The investors will ask "How good will these Bretton Woods bonds be?" The answer is "They should be sound." To begin with, they will be guaranteed by the Bank of 44 nations, in which the United States is a 30% stockholder. The loans made by the Bank are to be guaranteed by the government of the country where ernment of the country where the borrower is located, or by its Central Bank. In addition to the rate of interest paid the lender an extra 1 to 1\\\% per year is extra 1 to 1½% per year is be paid into the Bank for reserves against losses. All in all, it is expected the credit may be good enough to sell at a 3 to 31/2 % rate. Things will be a bit different from the 7 and 8% foreign loans floated in the 'twenties.

Who will buy these loans?

million bond buyers in this coun-try. They have a lot of money

try. They have a lot of money tucked away.

2. Banks. The Treasury went all out for Bretton Woods; it probably will give deposit bankers permission to buy these foreign credits. Our banks have about \$30 billions in uninvested funds. They may send some of them abroad.

3. Insurance Companies and Trust Funds. The former invest over \$2 billions per year. Will they put the widows' mite and the orphans' nest eggs in these foreign securities? Here we are likely to run-into an issue which Companies likely to run into an issue which may be debated in every state legislature in the country. Many states, such as New York, Mass-achusetts, and Connecticut, have achusetts, and Connecticut, have more or less rigid requirements about investing money of this kind. At present, foreign credits are not generally eligible: However, it now appears our State and Federal Governments will soon be asked to give their legal blessing to the new kind of foreign loans. It seems probable they may do so may do so.

One of the very first things the new Bank will have to decide is whether to float large general loans in the form of guaranteed debentures with unspecified pur-poses, or whether each individually guaranteed loan will be sold separately. If the latter proves the case, then people will have to get out their geographies and learn to pronounced the names. Albania and Czechoslovakia will become as commonplace as Oskosh and Kalamazoo. The more likely course is that the Bank will put the Albanian loan, the Czech loan and the others into a general credit. The investor will then simply look to the guarantee-the same as he does in the case of Federal Land Bank bonds. No one knows Land Bank bonds. No one knows exactly what farm secures what land bank bond.

SEC

Must the Bretton bonds be registered with the Securities and Exchange Commission? At present they would have to clear that but the Congress may well decide the inspection which a trained staff of the International Bank could give each loan would be adequate and that, as with Federal Land Bank bonds, the Bretton bonds need not be registered. Similar exemption might also be given to public offerings of loans originally made by the Export-Import Bank. Later on this Bank may sell some of its private syndicates loans to oans to private syndicates for general distribution to the public. The agencies which deal with foreign securities should cover the foreign field. Division of authority with the SEC would be confusing.

Some Countries May Borrow Direct

The International Bank will, of course, not be alone in the foreign credit field.

If we assume everything goes and its guaranteed bonds 'sell to yield 3 to 3½%, we must not forget the Bank itself will ask 1 to 1½% annually of the borro so the cost of money to the latter will be 4 to 5%. Countries with credit sufficiently good to attract lower rates may well by-pass the International Bank and go directinvestors, as they did in days gone by.

There are many other avenues for the American dollar to trip abroad. The resources of our Export-Import Bank available for foreign loans have been increased to \$3½ billions. At this very moment certain countries are now negotiating for very large Gov-

There are the following prospective buyers:

1. Individuals. There are 85 million bond buyers in this counfield. Make no mistake, the great reservoir of liquid capital in our country traditionally used at home is now being called upon to do a

world-sized job.

Now we come to the point: Do we have the know-how in the international field? Will things be different from the past or Uncle Sam start out as Uncle Bountiful and wind up becoming just plain Uncle Sap? The answer just plain Uncle Sap? The answer is that while our experience has been limited, we can dig in and do the job provided we use the available talent. The financial problems we are to face and the avalanche of American capital which will shortly flow abroad require the closest collaboration with business men and bankers. with business men and bankers If we don't get this, our foreign lending will be just another headache.

One of the great secrets of English success in international bank-ing has been the united front which that government, their bankers and their business men displayed throughout the years.

There are all kinds of dollars within our own borders: the Government dollar, the labor dollar, the business dollar, and quite a bit of scrambling goes on to see who gets what. But in any event, these dollars wind up in some American pocket. When the fa-miliar cartwheel goes abroad, however, it may be quite another story. If this dollar gets lost in the scramble, it may help world trade, but for the investor it will

be just a memory.

There are now over \$17 billions in gold and dollar reserves of for-eign countries. In 1928 the figure was \$7 billions. Our place in world finance is rapidly gaining in importance.

Things can really be different with International Banking this time but certain points should be borne in mind:

Important Points

A. Our Government has wisely set up a Foreign Finance Council to co-ordinate foreign lending. to co-ordinate foreign lending. The Council consists of the heads of the Treasury, State, and Commerce Departments, the Federal Reserve, and the Export-Import Bank. This is a most important step but it is not enough. There should be added representatives should be added representatives of the insurance companies, sav-ings banks and foreign bond holders. Commercial bankers and investment bankers should par-ticipate. We are getting into a new business in a tremendously big way—almost overnight. We had better pool our information or the big bad wolf will get us in the international field. Foreign banking is not just a job for technicians.

B. Sizable amounts of the bonds guaranteed by the Bretton Bank should be sold in other countries than our own. It would be most unwise for our investors to take 100% of these issues. Some loans are bound to go sour. The other 43 countries would pay assess-ments much more cheerfully if the money was partly going to their own nationals.

C. The main thing is manage ment. What will the borrower do with the money he gets? Bankers very much like the idea that the International Bank will make only constructive loans. Money loaned so the borrower can get new tools or get old tools out of hock en-ables him to go to work. The banker with the glass eye who loans us money at home invari-ably finds out what we were going to do with the cash. It is a wise

Banks Have a Selling Job

(Continued from page 1822)

wane largely to the extent that characterized the past decade in they succeed or fail in presenting their wares effectively. This in my judgment is no less true of banking than it is of selling pea-

banking than it is of selling peanuts or steam boilers.

A few months ago, as President of the New England Council, I sat with the Council's Bankers Committee in a discussion of Mr. Edward E. Chase's first report on the Financing and Ownership of New England Business Enterprises. Naturally, the Council wanted the criticisms of its banking constituency on the content of the report before publishing it, and I may say that you gentlemen were most helpful and articulate in clarifying certain aspects of it. in clarifying certain aspects of it. I had a feeling, however, that the report was almost resented in some quarters, primarily on two counts: First, because it wasn't couched at all points in your language, and second, because it was critical of certain existing banking procedures. The fear was even sed that the Council might expressed that the Council ters if the report were published.

The Value of Publicity

Nevertheless, your committee generously submitted its com-ments to Mr. Chase and his com-mittee with unquestioned benefit to all concerned. I think the Chase report was measurably improved as a result, but I want to stress a point in this connection. We of the New England Council felt and still feel that we were doing a signal service to the banking business in giving it a cross-section view of what representative business and professional men of New England think about bank methods and policies and what they feel bankers need to do in order to advance the interests of the New England region. While the New England banker feels with some justice, perhaps, that his policies have stood the test of time and that he can stand on an excellent record, nevertheless we are entering a new and highly competitive period, and it is im-portant that we be in tune with the public pulse.

During the past 15 years, you and I have had to start doing a lot of things which we haven't particularly enjoyed doing, submitting to controls and regulations which we once thought were unholy invasions of our sovereign rights, but which we have had to learn to take in our stride as concomitants of a new era. These trends are not confined to our shores; they are world-wide. Indeed the New Deal was old in many countries before we even heard of it. Even England has heard of it. Even England has gone Socialist, and the Old Lady of Threadneedle Street will soon become a department of govern-ment. And so ironically, despite the social legislation which has

should not do all the foreign lend should not do all the foreign tend-ing. Wherever possible we should strive for privately-placed credits. History shows the pay-off on privately-placed loans is best. Government loans frequently give way to expediency.

E. We must help make the International Bank work. There was scarcely a dissenting voice on this part of the Bretton Woods plan. Some 44 nations are going to try some 44 hattons are going to try to get together and do business on multilateral lines with sta-bilized currencies. The ultimate rewards can be truly great. F. On the hopeful side, interest rates will be lower and not the back-breaking rates of the 'twen-

ties. Rules provide for construc-tive loans. More careful scrutiny will be given than for the ill-fated precaution. It may take the "do gooders" to get things started. It will take the far-sighted credit men to keep them going.

D. The Bretton Woods Bank and our Export-Import Bank ferent this time.

Banks Have a Selling Job

Well, gentlemen, Americans have been on the spot before and have preserved their way of life when a lesser people would have given up the ghost. They can do it again. But if freedom of enterprise is to prevail, if we are going to get the government out of the banking business and put ourselves back in it, in brief, if banking is to remain in private hands, then you and I have a sell-ing job to do. We must be alive to what the public wants and try to provide it. We should give the most thoughtful and constructive consideration to such public expressions as the reports of the Chase Committee and attune our solves to the needs of our prosselves to the needs of our pros-pective customers. How does a cosmetics manufacturer sell 5 cents worth of slightly scented pective customers. How does a cosmetics manufacturer sell 5 cents worth of slightly scented lanolin for two dollars and a half? Primarily by putting it up in a pretty package and calling it "Passion's Allure," or something of the sort. All of the Consumer Research Institutes in the world can tell the ladies that they can get the same thing across the drug get the same thing across the drug counter and mix it up in their own kitchens for a dollar a gallon, and they'll still flock to the perfume counter and buy the product with the fancy label. That, briefly, is what the public wants briefly, is what the public wants, and the smart merchandiser bows to the inevitable with salutary efto the inevitable with salutary effects on his profit and loss statement and balance sheet. I don't expect bankers to bedeck their counters with pink ribbons and forget-me-nots, but there is a sound lesson to be derived by bankers from a study of the methods of the more successful merchandisers in adapting their services to the public's wants—and, to indulge in a metaphor, putting up their product in a package which possesses sales appeal.

Keep in Touch With Your Communities

I urge you to study the needs of your New England community to the end that your attitudes and to the end that your attitudes and policies, and the services which you offer, shall be tailored to fit those needs. New England banking is one of the great resources of our region, but the converse is true that New England industry and commerce are the things

of our region, but the converse is true that New England industry and commerce are the things which have made New England banking great. If you would keep it great, look to your commerce and industry and be sure that you have missed no chance to serve them well and to keep them here. To this end, I think it is tremendously important that New England bankers should keep in active touch with the manufacturers and merchants within their own communities. Through some curious quirk in human nature, we tend to look for customers at distant points while forgetting those who are near at hand. I think it is a fair statement that I those who are near at hand. I think it is a fair statement that I am called upon by field representatives of three times as many New York banks as I am by all the New England banks put together. Indeed, with rare exceptions, there are only two banks in New England which ever send their field men around to see me, and both are large institutions in Boston, Maybe my good friends Boston. Maybe my good friends at home take me for granted, but when a business takes a customer for granted, it is treading on thin ice. I think that banking needs a sales department just as truly as my business needs one, and if were the sales manager of a ank, whatever my title, I should bank, whatever my title, I should see to it that my men called regularly on the businessmen of my community, whether I knew them well or but casually, on a regular

and systematic schedule, making it clear that we were looking for business, that we were concerned with their needs, that we wanted their suggestions and criticisms, in brief, that we were in existence primarily for the purpose of serving our community, of which they were an important part.

Serve Small Business

The so-called small business-man has received a lot of public notice of late, and though I don't know just what a small business-man is, I know that there are a lot of them in New England. Now the line was the banks on whose boards I serve do in fact transact a lot of busi-ness with the small businessmen and it is my distinct impression that there is no disposition on their part to be either distant or uncooperative in dealing with them. On the other hand, it is abundantly evident from the pronouncements of the small business associations and from the activi-ties of the Smaller War Plants Corporation and some other Government agencies, that the small businessman himself feels that bankers are either unable pankers are either unable to serve him adequately or are indifferent to his needs. Here again the important thing to recognize is not what you and I believe to be the situation, but what our potential customer thinks is the situation. I contend that the need to for more intelligent solor and is for more intelligent sales activity on the part of the banks themselves. The New England bank with a Vice-President in Charge of Smaller Business Loans may not alter its policies or services by one whit, but the mere presence among its officers of a man who talks the little fellow's language, is humble enough to call on him at his place of busi-ness to find out what he wants, and is sympathetic to his needs and ready with counsel and ad-vice, will have gone a long way towards keeping banking in private hands, preserving free enterprise, and furthering the retention and growth of industry within New England. I don't see how you can fail to recognize the need. If you don't, the Govern-ment will, for small business has become a political hot potato and something is going to be done about it.

Don't Encourage Government Participation

I have been appalled during re-cent years at the readiness with which some bankers have wel-comed, and indeed encouraged Government participation in loans. If this had happened only in instances where the prospective borrower was obviously poor credit, I could understand it; but credit, I could understand it; but too often, alas, the attitude has been the result of mere lassitude and indifference. Do you want a concrete example? I'll give you one, if you will forgive my talking about myself. I walked into a large bank a few months ago and stated that I was a bit concerned when the prescribility of a cash about the possibility of a cash stringency in our business in the event of a sudden termination of hostilities resulting in a temporary moratorium or unreasonable delay in collections. I told the banker that while our financial position, which I will modestly admit is a very sound one, made it seem unlikely to me that we might encounter any such difficulty, nevertheless I wanted to be sure that our credit line was intact and that we could get help if and when we needed it. Without even asking me a question, or looking at our balance sheet, and in spite event of a sudden termination of asking me a question, or looking at our balance sheet, and in spite of the fact that this banker had known, over a period of many years, the fiscal condition of our company, his reply was: "I sugcompany, his reply was, "I suggest that you aply for a V-T loan," Well, I thanked him and left because, if that was the limit of his advice and assistance in facing my business problems with me God help me if I ever really found myself in a pinch with him. This is the sort of thing that I believe

A Program of Tax Revision

(Continued from page 1824)

taxpayers be permitted to use their unused excess profits credits just as though the excess profits

your Committee further recommends that the present carryommends that the present carry-back of losses be continued for a period of two years after the termination of the excess profits tax, and the period for carrying forward one year's losses be lengthened so as to apply against subsequent earnings for a period of six years. Amendments should of six years. Amendments should immediately adopted which I remove the difficult adjustments in computations relating to such items as government bond interest, depletion, dividends, etc.

3. Elimination of Double Taxation of Corporate Dividends

Income derived by stockholders Income derived by stockholders is now taxed twice—once when the corporation pays a tax on its earnings, and again when the earnings are distributed among the stockholders as dividends. In order to avoid this duplication, so far as practicable, it is recommended that the normal tax rate on corporate income he fixed at on corporate income be fixed at a rate equal to the rate of basic tax upon individual incomes, say 20%, and that dividends be of normal tax to the individuals receiving them. Thus, the stock-holder would, in effect, be credited with the corporate tax which will be treated as having been paid in his behalf. This would be equivalent to a with-holding tax on behalf of the noting tax on behalf of the stockholder on corporate net in-come paid out in dividends to the extent of the normal tax, leaving only surtax to be paid by the stockholder.

4. Capital Gains and Losses

The capital gains tax is a direct and unwise restriction upon the private enterprise system. It serves to destroy incentive and prevent freedom of transfers nec-

is one of the most vicious fruits of the war in banking circles. "Government Participation" is an enervating thing. Like the road to the corporate State and the Fascist or Socialist economy, or whatever you want to call it, it is a primrose path, but there is a bed of poison ivy beneath the lovely blossoms. It is so easy to lean on Uncle Sam's shoulders and so difficult to get out of his embrace

I believe in freedom of enterprise, and that the best govern-ment is the least government, consistent with respect for law and order; but it takes effort to pre-serve it. In the last analysis, the people will get what they want. When Wendell Willkie was campaigning for the nomination last year, he said to a group of Rhode Island Republican bluebloods: lsland Republican bluebloods: "Don't waste your breath condemning Mr. Roosevelt for the New Deal. If he had not been President, somebody else would have given the country the same thing he did, because that is what the poeple were asking for asking for it because men like you offered no better alternative."

And so, in conclusion, I say that we, as bankers, must rededicate ourselves to the kind of banking which made New England great when banks were integral parts of the small communities in which they were located—alive to the needs of their close neighbors and friends who made up the warp and woof of their business com-munity, and who became great be-cause the little businesses which they nurtured through adoles-cence in due course became flour-ishing enterprises, and in many instances for-flung corrections. instances far-flung corporate entities with worldwide interests.

Let's do a little more working

and boosting like our less re-served brethren to the west, to insure a bigger and better New England.

essary to keep the investment portfolios of the nation in a sound condition. Furthermore, in the long run the receipts from this tax are not an important item of

government revenue.
Your Committee recommends
the abolition of the tax and, pending its repeal, favors an immediate reduction of the tax to a flat rate of 12½%, similar to the tax in force on 1921, accompanied by a 12½% allowance of capital losses as an offset against ordinary income.

5. Declared-Value Excess-Profits and Capital-Stock Taxes

This Association has repeatedly declared itself as in favor of the repeal of these taxes. They have no real basis in reason for their declared itself as in favor

no real basis in reason for their existence; they are a constant annoyance to business; and the revenue derived from them is apparently insignificant.

Your Committee recommends that the Association reassert its demand for the repeal of these taxes applicable to the year beginning Jan. 1, 1946.

With respect to the question whether in the place of these taxes there should be a tax to apply to corporations that do not make profits as well as to corporations that make profits, your rations that make profits, your Committee believes that no such tax should be imposed. So far as Federal taxation is concerned, the corporation income tax should be the only tax imposed directly on corporations. Any taxes in the nature of franchise taxes should be left to the states under the laws of which corporations are licensed, and any approach toward a Federal licensing system for corporations should be avoided. for

6. Depreciation

Corporate and non-corporate enterprises should be allowed greater latitude in making annual allowances for depreciation. long as the depreciation charges are limited in the aggregate to the original cost of business assets there can be little difference to the government in the long run, whether such parts are written. whether such assets are written off slowly or rapidly. The ability amortize assets rapidly provides an important stimulus the purchase of new and more efficient equipment. Also, adequate tax deductions should be allowed for accumulated deferred maintenance and repairs which were not taken care of due to the inability to obtain materials and labor during the war period.

7. Tax on Intercorporate Dividends

Your Committee recommends that the Association continue to favor the repeal of the tax on intercorporate dividends effective for the year beginning Jan. 1, 1946. It would serve as an encouragement to business as well as to restore a fair practice common to earlier tax laws if the plan originally adopted in 1918 were restored under which corporate dividends were exempted from

8. Consolidated Returns and Un-distributed Profits

It is the further recommenda-tion of your Committee that the Association reiterate its position in favor of the repeal of the pen-alty tax of 2% on the filing of consolidated returns, and oppose any taxation of undistributed profits.

B. Individual Income Tax

The Association has, in the past, advocated the lowering of individual income tax exemptions, which has been in effect, in order which has been in effect, in order that the government might reach through taxation a large number of persons not previously taxed for the support of the government. In your Committee's judgment a tax on individual income is less deterrent in its effect upon profor the support of the government. In your Committee's judgment a tax on individual income is less tax on individual income is less tax on individual income is less to the tax on individual income is less to the tax of tax of the tax of the tax of the tax of tax

duction and the flow of venture capital than taxes upon corporate profits, provided that the tax rates on the uper income groups are sufficiently lightened to give encouragement to risktaking, and that the tax rates in the lower income groups are not so high as to limit consumer markets unduly.
Your Committee recommends

that:
1. For the year beginning Jan.
1. For the year beginning Jan. 1, 1946, a flat reduction of 20% be made in the Federal income tax on individuals after computing the tax under the present

- 2. The combined normal and surtax be limited to a ceiling of 50%. There should be an eventual reduction in rates so as to provide for a tax rate not exceeding 50% in the highest bracket. If there were a normal tax rate ranging from 15 to 20%, the graduated surtax rates would run from 1 to 30 or 35%. rate
- The present exemption for the regular income tax of \$500 for each taxpayer and for each de-pendent be retained.
- 4. The present combined tax of 23% for the lowest bracket of taxable income should eventually 230 be replaced by a single tax of 16 to 20%, depending upon revenue requirements. This rate would then be geared in, as suggested above, with the normal tax for corporations in order to avoid the double taxation of corporate double taxation of corporate dividends.

5. Withholding of individual Federal income tax at the source be continued.

C. Excise Taxes

Over two billion dollars were collected in the past fiscal year by the Federal Government in sundry excise taxes. Your Committee recommends that excise taxes be reduced in the post-war period to a point which will not interfere with the reduction rec-ommended in the income tax rate. The question of retention, abolior reduction of excise taxes their rates should take into consideration:

1. The deflationary tendency of the

tax.
The optimum point of productivity of revenue derived from the tax.
3. The nuisance effect.
4. The adverse effect on indus-

Your Committee recommends that the Association reiterate its position in favor of the repeal of Section 620 of the Revenue Act of 1942, imposing a 3% tax on the amount paid for the transportation of property by rail motor tion of property by rail, motor vehicle, water or air. The obvehicle, water or air. The objection to this tax is that it is a heavy burden on manufacturers and distributors of consumer goods.

D. Expenditures and Debt

Economy in government expenditures is a vital part of sound government policy. In view of the large expenditures made for the prosecution of the war and the genuine need to end the Federal practice of deficit financing, governmental expenditures should be restricted to the conduct of essential activities.

Your Committee recommends that there be improvements in the methods of determining appropriations and controlling expendi-tures. Furthermore, Congress should have information regarding and supervision and control over all government corporations and their scope of operations. Your Committee believes that

through the curtailing of all but the essential expenditures of gov-ernment, the Federal budget can be balanced in the fiscal year 1948, which budget should include provision for debt retirement.

E. Estate and Gift Taxes

Your Committee reiterates its recommendation that

2. The gift tax be more clearly differentiated from the estate tax by taxing gifts at rates sufficiently

oy taxing gits at rates sufficiently lower than estate tax rates to encourage lifetime giving.

3. Gifts made more than two years before death be freed of any question of having been made in anticipation of death, and, further, such gifts made within two years of death should be so freed upless. of death should be so freed unless the government can prove that they were made for the purpose of avoiding inheritance taxes

4. There be no integration of the estate and gift taxes.

F. Social Security Payroll Tax

Under the provisions of the Social Security Act the payroll tax will be increased from one to two and one-half per cent for the year 1947. Since a special comyear 1947. Since a special committee of Congress is studying the entire subject of social security its coverage and financing-it is the recommendation of your Committee that the one per cent rate presently in effect not be increased at the present time.

G. Technical and Administrative Amendments

1. Section 722 of the Internal Revenue Code, providing relief against cases of hardship, has become enmeshed in a mass of technicalities. Your Committee recommends that the principle of arriving at a constructive normal base period net income should be iven effect, freed of the arbi-cary and technical rules now in the statute and regulations. Further, the Committee recommends that there be vested in the Tax Court the power of final determination of the measure of relief in reviewing the action of the Commissioner of Internal Revenue.

2. It is recommended that Section 107 of the Internal Revenue

Code be amended in two respects:

(1) Where subsection (a) uses the term "personal services" such term should be changed to "work done"; and ; and That the amendment pro-

done; and
(2) That the amendment proposed in (1) above together with the amendments made by Section 139 (a) of the 1942 Act be made retroactive to all taxable years beginning after December 31, 1922

The first amendment suggested above would make it clear that the income could be spread over the entire period of the work done and not necessarily limited to a period under which a contract of employment may have existed.

The second amendment relating to the effective date would put all taxpayers similarly situated during the period since the original enactment of Section 107 on an equal footing and prevent any discrimination. For the years 1939 and 1940 Section 107 (a) required the services to have been performed over a period of five calendar years or more and that 95% of the compensation be paid upon completion of such services; as to the year 1941 the require-ment is that the services be performed over a period of sixty months and that 75% of the compensation be received or accrued in one taxable year; and beginning with 1942 to date the requirement is that services be performed over a period of thirty-six calendar months and that at least 80% of the compensation be received or accrued in one taxable year. In other words, under the existing law Section 107 might be appli-cable to individual A who received his compensation in the year 1944 but not be applicable under entirely similar circumstances to individual B who received his compensation in 1941. 3. Provision should be made for

the deduction of experimental re-search and developmental expenses

4. The foreign war loss and re-covery provisions should be mod-

5. The base, which is now sur-

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, unnormal course become effective, un accelerated at the discretion of the

SATURDAY, OCT. 20

WISCONSIN POWER & LIGHT CO. on Oct. 1 filed a registration statement for 120,000 shares of 4½% preferred stock, cumulative, par \$100, to be offered in exchange to holders of 6% and 7% preferred stocks on a share for share basis plus cash adjustments.

Details—See issue of Oct. 4.

Underwriters—The company will form a group of security dealers to obtain acceptances to the company's proposed exchange offer.

change olief.

PROVINCE OF ALBERTA, CANADA, on Oct. 1 filed a registration statement for \$26,093,000 serial debentures due annually on June 1 in 1951 through 1960. The debentures carry interest rates of 234% to 31%, according to maturity.

Details—See issue of Oct. 4.

Underwriting—First Boston Corp.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Halsey, Stuart & Co., Inc.; Wood, Gundy & Co., Inc.; Dominion Securities Corp.; A. E. Ames & Co., Inc.; McLeod, Young, Weir, Inc., and Otis & Co., Inc.

Young, Weir, Inc., and Otis & Co., Inc.

KERITE CO. on Oct. I filed a registration statement for 50,000 shares of common stock, par \$10. The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Oct. 4.

Offering—The offering price to the public will be filed by amendment. The shares are being sold by certain stockholders included among whom are Lee Higginson Corp. and Chas. W. Scranton & Co., who are also included among the underwriters.

Underwriters—The group is headed by Lee Higginson Corp. and Chas. W. Scranton & Co.

SUNDAY, OCT. 21

WIEBOLDT STORES, INC., on Oct. 2 filed a registration statement for 35,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

par). The dividend rate will be filed by amendment.

Details—See issue of Oct. 4.

Offering—Stockholders on Oct. 19 will be asked to approve an issue of 50.000 shares of new cumulative preferred stock and to authorize 160,000 additional common shares. Of the initial series of 35,000 shares, 13,950 new preferred will be offered in exchange share for share for the 13,950 outstanding \$5 prior preferred shares and 19,689 shares will be offered in exchange on the basis of 0.51 of a share for one for 38,506 of the 58,606 outstanding 6% preferred shares. The underwriters will purchase unexchanged stock and 1,361 additional shares.

Underwriters—The group is headed by A. G. Becker & Co., Inc., Chicago.

MONDAY, OCT. 22

DRAYO CORP. on Oct. 3 filed a regis-tration statement for 98,232 shares of common stock. Shares are issued an outstanding and are being sold by certain stockholders.

stockholders.

Details—See issue of Oct. 11.

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

Underwiters—Group is headed by Mellon Securities Corp.

COLUMBUS & SOUTHERN OHIO ELECTRIC CO. on Oct. 3 filed a registration statement for 133,745 shares of 4½% cumulative preferred stock.

Details—See issue of Oct. 11.
Underwriters — Merrill Lynch, Pierce, Fenner & Beane are named dealer manager to organize a group of securities dealers to solicit deposits under the exchange plan.

AMPAL-AMERICAN PALESTINE TRAD NG CORP. on Oct. 3 filed a registration ING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is \$5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

ANGERMAN CO., INC., on Oct. 3 filed registration statement for 90,000 shares f common stock, par \$1. The total in-ludes 40,000 shares being sold by David B. Engel, President, who presently owns 25,000 shares of common stock.

Details—See issue of Oct. 11.
Offering—The price to the public is \$8 er share.

Underwriters—Van Alstyne, Noel & Co heads the underwriting group.

UNITED TRANSIT CO. on Oct. 3 filed a registration statement for \$10,000,000 convertible 4% sinking fund debentures due Aug. 1, 1965. Of the total \$4,000,000 are being sold by present holders.

Details—See issue of Oct. 11.

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

Underwriters—The group is headed by Harriman Ripley & Co., Inc.

holders have agreed not to exercise their rights to purchase 34,061 shares which shares are being purchased by the underwriters as well as any other unsubscribed shares. The subscription price will be filed by amendment.

Underwriters—Group is headed by Kuhn, Loeb & Co.

TUESDAY, OCT. 23

TUESDAY, OCT. 23

CONSOLIDATED CIGAR CORP. on Oct. 4 filed a registration statement for \$4,000,000 20-year 3½% debentures due Oct. 1, 1965.

Details—See issue of Oct. 11.
Offering—The price to the public will be filed by amendment.
Underwiters—Eastman, Dillon & Co. heads the group.

WEDNESDAY, OCT. 24

GAR WOOD INDUSTRIES, INC., on Oct. 5 field a registration statement for 70,000 shares of cumulative convertible preferred stock, \$50 par. The dividend rate will be filed by amendment.

Details—See issue of Oct. 11.

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

Underwiters—The group is headed by Lehman Brothers, Emanuel & Co., and Blair & Co., Inc.

MAJESTIC RADIO & TELEVISION CORP. on Oct. 5 filed a registration statement for 300,000 shares of convertible preferred stock, \$5 par. Details—See issue of Oct. 11.

Offering—The price to the public is \$5 par.

per share.
Underwriters—The group is headed
Kobbe, Gearhart & Co., Inc., and Ne
burger & Hano.

SATURDAY, OCT. 27

PACIFIC GAS & ELECTRIC CO. on Oct. 8 filed a registration statement for \$49,000,000 first and refunding mortgage bonds, series N, 3%, due Dec. 1, 1977.

Details—See issue of Oct. 11.

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

filed by amendment.

Issue Awarded Oct. 17 to First Boston
Corp. and associates on bid of 104.7999 for
3% bonds.

DEVOE & RAYNOLDS CO., INC., ect. 8 filed a registration statement

DEVOE & RAYNOLDS CO., INC., on Cot. 8 filed a registration statement for \$3,500,000 20-year sinking debentures, due Oct. 1, 1965. The interest rate will be filed by amendment.

Details—See issue of Oct. 11.
Offering—The price to the public will be filed by amendment.
Underwriters—Underwriters are Shields & Co., Lee Higginson Corp.; Eastman, Dillon & Co.; Ladenburg, Thalmann & Co.; Graham, Parsons & Co.; Paine, Weben, Jackson & Curtis; Singer, Deane & Scribner; Auchineloss, Parker & Redpath; Otis & Co.; Baker, Watts & Co.; Moore, Leonard & Lynch; Stein Bros. & Boyce; Farwell, Chapman & Co., Inc. and Hill & Co.

NOM ELECTRIC CORP. on Oct. 8 filed a registration statement for \$2,000,000 15-year 434 swinking fund convertible dehentures, \$1,200,000 three-year 2% subordinated convertible notes and 163,120 shares of common which are reserved for conversion of the debentures, notes and common stock purchase warrants entitling the holders to purchase an aggregate of 20,000 shares.

Details—See issue of Oct. 11

0,000 shares.

Details—See issue of Oct. 11.

Offering—The offering price of the deentures will be filed by amendment.

Underwriters—Reynolds & Co. heads the

EATON & HOWARD BALANCED FUND has filed a registration statement for 500,000 \$1 par trust shares.

Address—Boston, Mass.

Business—Investment trust.

Underwriters—Eaton & Howard Inc.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5976. Form S-5. (10-8-45).

SUNDAY, OCT. 28

WASHINGTON STEEL CORP. on Oct. filed a registration statement for 158,1 shares of common stock, par \$1, with su scription warrants attached.

Details—See issue of Oct. 11

scription warrants attached.

Details—See issue of Oct. 11.

Offering—Of the total registered 135,000
shares will be offered by the underwriters at a price to be filed by amendment. In addition, the company proposes to sell 23,110 shares of common without underwriters at \$10 per share or a total of \$231,100.

erwriters—Singer, Deane & Scribner the underwriting group.

SATURDAY, NOV. 3

AIR CARGO TRANSPORT CORP. has filed a registration statement for 420,000 shares of common stock (\$1 par) and 120,000 shock purchase warrants, of which 300,000 shares are being presently offered for sale and 120,000 shares are reserved for exercise of the warrants.

Address—350 Fifth Avenue, New York, N. Y.

registration statement for \$10,000,000 convertible 4% sinking fund debentures due Aug. 1, 1965. Of the total \$4,000,000 are being sold by present holders.

Details—See issue of Oct. 11.
Offering—The price to the public will be filled by amendment.

Underwriters—The group is headed by Harriman Ripley & Co., Inc.

POLABOID CORP. on Oct. 3 filed a registration statement for 80,875 sharps of common stock, par \$1.

Details—See issue of Oct. 11.
Offering—Company is offering the new stock to its stockholders at the rate of one share for each four shares held of record Oct. 11. Certain of the company's stock-R. I.

poration made its first commercial flight the latter part of last July.

Underwriters—Bond & Goodwin, Inc., heads the underwriting group.

Price—The price to the public is \$3 per share, with an underwriting commission of 50 cents per share, or a total of \$750.000 to the company. Company is also selling 120,000 warrants at one cent per warrant share entitling the holders to purchase 120,000 shares at \$3 per share for a period beginning 180 days after the effective date of the registration statement and ending five years thereafter.

Proceeds—Will be used for the purchase of flying equipment, spare engines and parts, repayment of a \$50,000 loan, and for working capital. Part of the latter may be used to purchase one or possibly two Fairchild Packets when the plane, or one similar, is available. The Fairchild Packet has a cargo load of 17,500 pounds and may cost as much as \$200,000.

Registration Statement No. 2-5978. Form S-2. (10-15-45).

DATES OF OFFERING UNDETERMINED

We present below a list of is hose registration statements were whose registration statements were stated twenty days or more ago, but whos offering dates have not been determined or are unknown to us.

AEROVOX CORP. on Sept. 27 registered 76,025 (\$1 par) common shares.

Details—See issue of Oct. 4.

Offering—Offering price to public \$9.25

a share.

Underwriters — Ames, Emerich & Co
Inc. and Dempsey & Co. are named prin
cipal underwriters.

AMERICAN CENTRAL MANUFACTURING CORP. on Aug. 24 filed a registration tatement for 145,088 shares of common totck, par \$1.

Details—See issue of Aug. 24.

Details—See issue of Aug. 24.
Offering—The company is offering the new stock for subscription to its common stockholders of record Oct. 16 on the basis of one additional share for each 2½ shares held at \$14.50 per share. Rights expire Oct. 30. Of the total, \$5,304 shares will be offered to Aviation Corp., as stockholder, and 59,784 shares will be offered to other stockholders. Any shares not subscribed by other stockholders will be purchased by Aviation Corp.
Underwriters—None named.

ANCHORAGE HOMES. INC. on July 17

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.

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
mult

unit.
Underwriters—Andre de Saint-Phalle &
Co., heads the underwriting group.

ARDEN FARMS CO. on Aug. 31 filed egistration statement for 50,000 shares

registration statement for 50,000 shares of \$3 cumulative and participating preferred stock, without par value.

Details—See issue of Sept. 6.
Offering—The company has granted holders of its preferred stock rights to subscribe to the new preferred at the rate of one share for each 2½ shares held at \$52 per share. Unsubscribed shares shall be sold at such price as fixed by the board of directors be sold at such price as of directors. Underwriters—To be filed by amend-

AVIATION CORP. on Sept. 28 filed a egistration statement for 300,000 shares gistration statement for 300,000 cumulative convertible preferred stock o par). The dividend rate will be filed amendment.

by amendment.

Details—See issue of Oct. 4.

Offering—Of the 300,000 shares the company is offering 289,675 shares to its common stockholders at a price and on a basis to be filed by amendment. Any unsubscribed shares and the 10,325 additional shares will be purchased by the underwriters and offered to the public at a price to be filed by amendment.

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

BARIUM STEEL CORP. on Sept. 28 filed a registration statement for 166,063 shares of common stock, par \$1.

Details—See issue of Oct. 4.

Offering—Company is offering to the holders of its common stock the right to subscribe to the new common shares at \$3 per share, at the rate of one new share for each five shares held. There are no underwriters, but the corporation reserves the right to sell any unsubscribed shares at a price which will net the corporation at least \$3 per share.

Underwriters—Not underwritten.

BENSON HOTEL CORP; on Aug. 22 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. Details—See issue of Aug. 30. Offering — The offering price to the public will be as follows: \$75,000 of 3s at 100.50, \$84,000 of 3/s at 100.75 and \$251,000 of 5/s at 101. Underwriters—B. C. Ziegler & Co., West Bend, Wis., is named underwriter.

BURRILLVILLE RACING ASSOCIATION BURRILLVILLE RACING ASSOCIATION
on Aug. 28 filed a registration statement
for \$1,000,000 6% 20-year debentures due
Sept. 1, 1965, and 10,000 shares class A
stock (no par).

Details—See issue of Sept. 6.

Offering—The public offering price for
a unit consisting of \$500 of debentures and
five shares of stock is \$500 with the underwriter receiving a commission of \$25
Underwiter—Barrett & Co. Providence.

derwriter receiving a commission of Underwriters—Barrett & Co., Provid. R. I., underwriters.

CENTRAL OHIO LIGHT & POWER CO

CENTRAL OHIO LIGHT & POWER CO
on Dec. 28 filed a registration statemen
for 11,972 shares of preferred stock, cumu
lative (\$100 par). The dividend rate wil
be filed by amendment.

Details—See issue of Jan. 4, 1945.
Offering—Company proposes to invite
proposals for services to be rendered to
the in obtaining acceptances of the exchange
offer of new preferred stock for old pre
ferred and for the purchase from it o
such of the 11,972 shares as are not ex
changed pursuant to the exchange offer.

CHASE CANDY CO. on Sept. 17 registered 50,000 shares (\$1 par) common stock.
Details—See issue of Sept. 20.
Offering—Stock to be offered to public at \$8 per share.
Underwriters—Herrick, Waddell & Co., Inc. named principal underwriter.

CINCINNATI GAS & ELECTRIC CO. on Sept. 8 registered \$45,500,000 first mortgage bonds due 1975 and 270,000 shares of cumulative, \$100 par, preferred stock.

Details—See issue of Sept. 13.

Offering—Company will offer the 270,000 shares of new preferred stock in exchange to holders of the presently outstanding 400,000 shares of preferred stock on a share for share basis. New preferred not taken in exchange will be sold to underwriters.

writers.

Issues Awarded—Morgan Stanley & Co and W. E. Hutton & Co. were awarded both issues Oct. 16, the bonds at 100.339 with a 2%% coupon and the stock at 106 less compensation of \$1.72 a share with a 4% dividend.

CONTAINER ENGINEERING CO. on Jun. 15 filed a registration statement for 25,000 thares common stock (par \$10).

Details—See issue of June 21.

Offering—Frice to the public is given as \$25 per share.

\$35 per share.
Underwriters—William L. Ullrich,
Louis, will manage the sale of the e
issue.

COVENTRY GOLD MINES, LTD. on April filed a registration statement for 333,335 hares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents

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

CROSS CO. on Sept. 28 filed a registra-tion statement covering 60,000 shares of 5½% cumulative convertible preferred stock, par \$10; 60,000 warrants to pur-chase common stock; 100,000 shares of common, par \$1, issuable upon conversion of preferred and 60,000 shares of common issuable upon exercise of common stock purchase warrants.

of preferred and 60,000 shares of common issuable upon exercise of common stock purchase warrants.

Details—See issue of Oct. 4.

Offering—The preferred stock is to be offered to the public at \$10 per share. The warrants which entitle the holder to purchase common stock at \$5 per share for a period of three years are to be sold to the underwriters for 5 cents per warrant. Underwriters—F. H. Koller & Co., Inc., is named underwriter.

DAYTON POWER & LIGHT CO. on Sept

6 registered \$20,000,000 onds series due 1975. Details—See issue of Oct. 4. Offering—Price to be filed by amend-Underwriters—To be sold by competitive

bidding.

Bids Invited—Bids for the purchase of the bonds will be received by company up to 11 a.m. (EST) Oct. 24, the bidder to specify the interest rate.

specify the interest rate.

DEVOE & RAYNOLDS CO., INC., on Sept. 14 registered 40,437 shares of Class A stock (no par).

Details—See issue of Sept. 20.
Offering—35,827 shares of new class A stock is offered for subscription to holders of presently outstanding class A and class B stock, at \$60 per share, on the basis of one share of new class A for each 4 shares of class A held and one share of new class A for each 20 shares of class B held. Rights accrue to holders of record Oct. 4 and expire Oct. 20. Shares not taken by present shareholders and the remaindernot offered present shareholders will be sold to public.

Underwriters—Shields & Co. named principal underwriter.

principal underwriter.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par \$1.

Details—See issue of Oct. 4,
Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at \$1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at \$1.25 per share, and to Eureka stock-holders. Frice is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

FLORIDA POWER CORP. on Sep egistered 539,240.8 shares (\$7.50 ommon stock.

Details—See issue of Oct. 4.

Offering—Offering price to be filed by nendmenf. stock

Underwriters—To be sold at competitive

bidding.

Bids Invited—Bids for the purchase of
the shares will be received up to 12 noon
(EST) on Oct. 22 at Room 2401, 61 Broadway, New York, by General Gas & Electric
Corp. and Florida Power Corp.

FRONTIER REFINING CO. on Aug. filed a registration statement for \$400.0 5 % sinking fund debentures, due Sept. 1950.

Details—See issue of Aug. 20. Offering—Price to the public will be

100.50.
Underwriters—Boettcher & Co., Peters,
Writer & Christensen, Inc., and Sidio,
Simons, Roberts & Co.

GENERAL PLYWOOD CORP. on Sept. 27 egistered 135,591 shares (\$1 par) com-

registered 135,591 shares (81 par) com-mon stock.

Details—See issue of Oct. 4.

Offering—Offering price to public \$5 a.

share.
Underwriters—F. S. Yantis & Co., Inc and W. L. Lyons & Co. are named prin cipal underwriters.

GENERAL SECURITIES CORP. on Sept. 28 filed a registration statement for 200,-000 shares of common stock, par \$5. Details-Nee issue of Oct. 4. Offering—The price to the public is \$7.50 per share. Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

GRAY MANUFACTURING CO. on Sept. 28 filed a registration statement for 95,544 shares of capital stock, par \$5. Details—See issue of Oct. 4. Underwriters—None named.

HOUSTON OIL FIELD MATERIAL CO., C. on Sept. 24 registered 12,500 shares 51/2% cumulative (\$100 par) preferred

of 57.7% Cummare testos pair pressiock.

Details—See issue of Sept. 27.
Offering—Company will offer holders of outstanding \$1.50 dividend cumulative preferred stock the right to exchange their shares for new stock on the basis of 11-10th shares of 51.2% preferred with a cash adjustment for fractional shares for each four shares of old preferred.

Underwiters—Include Dallas Rupe & Son, Dallas Union Trust Co., Rauscher Pierce & Co., Inc. and Pitman & Co., Inc.

LEHIGH COAL & NAVIGATION CO. on LEHIGH COAL & NAVIGATION CO. on Sept. 28 filed a registration statement for \$13,000,000 sinking fund mortgage bonds, series A, due Oct. 1, 1975. The interest rate will be filed by amendment.

Details—See issue of Oct. 4.

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

Underwriters—Drext & Co. heads the underwriting group.

underwriting group.

LIBERTY FABRICS OF NEW YORK, NC. on Sept. 20 registered 100,407 shares f common stock, par \$1. Details—See issue of Sept. 27. Offering—The offering price will be filed y amendment.

by amendment.
Underwriters — R. H. Johnson & Co.
named principal underwriter.

METALS DISINTEGRATING CO., INC., on Sept. 28 filed a registration statement for 100,000 shares of common stock (par \$1). Of the total, 30,000 shares are being sold by the company and 70,000 shares by certain stockholders.

certain stockholders.

Details—See issue of Oct. 4.

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

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

MONROE AUTO EQUIPMENT CO. on

Sept. 27 registered 40,000 shares of 5% cumulative preferred stock (par \$50), and 100,000 purchase warrants.

Details—See issue of Oct. 4.

Offering—Price to public to be supplied by amendment. Unit of one share of preferred and one warrant to be offered. Underwiters—Hayden, principal underwriter.

MONTANA-DAKOTA UTILITIES CO. on uly 25 filed a registration statement for 23,351 4-6 shares of common stock (par

j).

Details—See issue of Aug. 2.

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

Underwriters—Blyth & Co., Inc.

Underwriters—Blyth & Co., Inc.

MORRIS PLAN CORP. OF AMERICA on Aug. 24 filed a registration statement for 7937,500 shares of common stock, par value 10 cents.

Details—See issue of Aug. 30.

Offering—Common stockholders of the Morris Plan Corp. of America are being offered rights to purchase additional common stock of the company at \$3 per share in the ratio of 13-5 shares for each share held and stockholders of Industrial Finance Corp. are being offered the right to buy Morris Plan Corp. common stock at \$3 per share of 7% preferred stock and 4-10 share for each share of 7% preferred stock and 4-10 share for each share of common stock held. The offer is being made in accordance with the etrms of an agreement under which American General Corp. purchased 937,500 shares of common stock of The Morris Plan Corp. of America at \$5 per share last August. Offered to holders of record Oct. 10, 1945, the rights expire with the close of business Oct. 30.

Underwriters—American General Corp. is

Oct. 30.

Underwriters—American General Corp. is named underwriter.

NASHUA MANUFACTURING CO. Sept. 17 registered 31.085 common sh without par value. Details—See issue of Sept. 20.

Details—See issue of Sept. 20.

Offering—Company will offer present common holders right to subscribe to new common on basis of ½ share of common for each share held at \$60 per share, the unsubscribed shares will be sold to underwriters at \$58.30 per share. Company would have to utilize 31,001½ shares of common to make this offer.

Underwriters—J. Arthur Warner & Co. named principal underwriter.

NATIONAL BATTERY CO. on Sept. 27 Details See issue of Oct. 4.

Offering—Offering price to be supplied amendment.

by amendment.

Underwriters—Goldman, Sachs & and Piper, Jaffray & Hopwood are niprincipal underwriters.

NATIONAL BELLAS HESS, INC.—William M. Becker, Samuel Cutler, Ira R. Dickson; Arthur E. Dawson and George Marks, voting trustees under voting trust agreement dated Aug. 28, 1945, filed a registration statement for 1,988,448 voting trust certificates for an equal number of shares of common stock, \$1 par, of National Bellas Hess, Inc.

Details—See issue of Oct. 4.

Details—See issue of Oct. 4.

NATIONAL MANUFACTURE & STORES CORP. on Sept. 20 registered 40,756 shares of \$2 cumulative preferred stock (no par).

Details—See issue of Sept. 27.

Offering—Company will sell 12,000 shares to public at offering price of \$41.25 and remainder of stock will be offered to holders of company's presently outstanding \$5.50 prior convertible preferred stock on the basis of two shares of \$2 cumulative preferred for each share of \$5.50 preferred. Underwiters—Norris & Hirshberg, Inc., Clement A. Evans & Co., Inc., J. H. Hilsman & Co., Inc., The Robinson-Humphrey Co., Wyatt, Neal & Waggoner, and Brooke, Tindall & Co. are named underwriters.

NATIONAL SUPPLY CO. on Sept. 27 egistered 170,000 shares of cumulative breferred stock, par \$100. Dividend rate to be filed by amendment.

to be filed by amendment.

Details—See issue of Oct. 4.

Offering—Holders of 291,091 shares of prior preferred stock, 5½% series and 6% series will be given the opportunity to exchange such shares for the new preferred. Underwriters will take shares not taken in exchange.

Underwriters—Lehman Brothers and Goldman, Sachs & Co. are named principal underwriters.

NATIONAL VULCANIZED FIBRE CO on Sept. 26 registered \$3,500,000 15-year 44% sinking fund debentures due Oct. 1, 1960 and 400,220 shares (\$1 par) common

stock.

Details—See issue of Oct. 4.

Offering—Offering price to the public to
be supplied by amendment.

Underwriters—Unien Securities Corp
and E. H. Rollins & Sons named principal underwriters.

NORTHERN STATES POWER CO. ept. 21 filed a registration statement for 75,000,000 first mortgage bonds, due Oct

1, 1975.
 Details—See issue of Sept. 27.
 Bids Invited—Company will receive bids for purchase of the issue up to 11 a.m (CST) at Room 1100, 231 S. La Salle Street, Chicago, the successful bidder to specify the interest rate.

PENNSYLVANIA POWER & LIGHT CO. on Sept. 24 registered 1,818,719 shares of common stock, no par and 1,818,709 subscription warrants entitling holders to purchase such stock at \$10 a share.

Details—See issue of Sept. 27.
Offering—National Power & Light Co. as holder of all of the outstanding common stock of Pennsylvania Power & Light Co. will be entitled to subscribe to 1,818,700 shares of the new common. National will in turn offer its stockholders the right to subscribe to the new stock on the basis of 4s share of new Pennsylvania Power & Light common for each one share of National Power & Light Co. common stock held. Electric Bond & Share Co. has agreed to take the number of shares proportionate to its common holdings in National (46,55%) and National has agreed to take the shares not taken by its remaining stockholders.

Underwriters—None.

derwriters—None.

POTOMAC EDISON CO. on April 19 filed registration statement for 63,784 shares of 4½% preferred stock (par \$100).

Details—See issue of April 26.

Offering—The company is offering the 53,784 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 re-

verred stock exchanged.

Underwriters—The company has restained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

PUBLIC SERVICE CO. OF OKLAHOMA
on Sept. 20 registered \$22,500,000 first
mortgage bonds series A, due July 1, 1975
and 98,500 shares of cumulative preferred
stock, par \$100. Interest rates to be filed
by amendment.

Details—See issue of Sept. 27.

Officials—Company proposes to offer to

stock, par \$100. Interest rates to be filed by amendment.

Details—See issue of Sept. 27.
Offering—Company proposes to offer to holders of its 5% preferred stock privilege of exchanging holdings for new preferred stock on the share for share basis plus a cash payment representing the difference between the initial offering price of the new preferred and the redemption was made oct. 15 to Halsey Stuart & Co. Inc. on bid of 98.7799 for a 2%% coupon.

Preferred stock awarded to Glore, Forgan & Co. on bid of 102% for a 4% dividend rate less compensation of \$1.55 a share for effecting exchange for outstanding preferred.

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 29,970 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 Steef Products Corp. in exchange for all of Pederal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. How here to be specified in the bids.

VALLEY OSAGE OIL CO. on Aug. 13 filed a registration statement for 143,659 of the outstanding and 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 512.50 per share.

Underwriters—The underwriter is Gilstand to Bennett & Co., Inc., in exchange issued to Bennett

for various obligations of the registrant.
Underwriters — Principal

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.—Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

RHEEM MANUFACTURING CO. or sept 26 filed a registration statement for 30,000 shares of 4½% preferred stock, par \$100. Offering—Price to the public will be filed by amendment.
Underwriters—Blyth & Co., Inc., will head the group.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for \$500,000 serial 41/2% equipment trust certifi-

cates.

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., Ptttsburgh, and John Nordman Co., St. Louis, Mo.

SANGER BROTHERS, INC. on Sept. 27 filed a registration statement for 22,000 shares 5½% cumulative preferred stock,

r \$30.

Details—See issue of Oct. 4.

Offering—The offering price is \$30.50

per share.

Underwriters—Includes Stifel, Nicolaus & Co., Inc.; Dempsey-Tegeler & Co.; A. G. Edwards & Sons; Rauscher, Pierce & Co.; Reinholdt & Gardner; Prescott, Wright, Snider Co.; Dittman & Co., and Wm. F. Dowdall & Co.

Wm. F. Dowdall & Co.

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.

Underwiters—Floyd D. Cerf Co. is

Underwriters—Floyd D. Cerf Co. is named principal underwriter.

TEXTRON, INC. on Sept. 24 registered 00,000 shares of 5% convertible preferred tock, par \$25. Details—See issue of Sept. 27. Offering—Offering price to the public, 25.

Underwriters — Blair & Co., Inc. and Maxwell, Marshall & Co.

THE AMERICAN LOCOMOTIVE CO. on sept. 27 registered 400,000 shares (\$1 par) sommon stock.

Details—See issue of Oct. 4.

Offering—Offering price to be filed by

mendment. Underwriters — Union Securities Corp. amed principal underwriter.

THE CENTRAL ARIZONA LIGHT & POWER CO. on Sept. 21 registered 840,000 OWER CO. on Sept. 21 registered 840,000 ares of common stock, no par. Details—See issue of Sept. 27. Offering—Price to be filed by amend-

Underwriters-To be sold by competitive

THE MONTANA POWER CO. on Se egistered \$40,000,000 first mortgage

due 1975.

Details—See issue of Sept. 27.

Bids Invited—Company will receive bids for purchase of bonds at Room 2033, 2 Rector Street, New York, up to 11:30 a.m. (EST) on Oct. 22, the bidder to specify the interest rate.

THE NORTHERN NATURAL GAS CO. n Sept. 24 registered \$25,000,000 serial

on Sept. 24 registered \$25,000,000 serial debentures.

Deta:ls—See issue of Sept. 27.

Offering—Offering price and interest rate to be filed.

Underwriters—To be sold at competitive bidding.

bidding.

THE PENNSYLVANIA POWER CO. on Sept. 23 registered \$9,793,000 first mortagage bonds, series due 1975, and 42,000 shares 4.25% cumulative preferred stock (par \$100). Interest rate on bonds will be filed by amendment.

Details—See issue of Oct. 4.

Offering—Preferred stock to be offered on a share for share basis plus cash dividend adjustment to holders of presently outstanding 42,000 shares of \$5 preferred stock. Offering price of bonds will be filed by amendment.

Underwirters—W. H. Newbold's Son & Co. named principal underwriter to obtain acceptances of exchange offer. Bonds to be sold by competitive bidding.

THE UNION ELECTRIC CO. OF MISSOURI on Sept. 21 registered \$13,000,000 first mortgage and collateral trust bonds series due 1975 and 40,000 shares of preferred stock.

Details—See issue of Sept. 27.
Bids Invited—Company will receive bids for the purchase of the securities up to 12 noon (EST) on Oct. 22 at Room 1905 OB broadway, New York, the interest and dividend rate to be specified in the bids.

A Program of Tax Revision

(Continued from page 1861)

taxing of capital gains, intercompany dividends, tax-free interest, etc. at rates greater than
otherwise provided.

6. Amendments should be made

1. The reconstruction of t

in the reorganization provisions.
7. The foreign tax credit provisions should be improved.
8. Congress should adopt legis-

lation which would invalidate Treasury Decisions 5340 and 5341, which, in effect, prohibit a corporation allocating any if its excess profits credit to a company acquired subsequent to March 14,

9. The term "mineral properties"

should be defined.

10. There should be certainty that all losses on condemnation are allowable.

are allowable.

11. There should be provision for extension of the statute of limitations for refunds based on the carry-backs in the event that there is official determination that this subject is not presently clearly covered in the Tax Adjustment Act of 1945.

12. Clarification of the provisions relating to the tax effects of

ions relating to the tax effects of

stock options should be made.

13. There should be clarification of Section 112 (f) relating to involuntary conversions to make certain that anticipatory replace-ments are included. 14. In connection with the study

of depreciation there should be consideration of the Virginian Hotels Cases, i. e., prevention of basis adjustments on account of depreciation not benefically de-

15. Expenses incurred in anti-trust, O. P. A. and other like suits should be permissible deductions. 16. There should be modification

of Section 129 or a clarifying statement by a congressional com-mittee to establish certainty that it will not be applied to the or-ganization of western hemisphere trade corporations and similar corporations exempt from excess profits tax under Section 727 (g).

17. Integration should be effected in the audit of income and excess profits taxes and the settlement of both these taxes.

18. There should be determina-tion as to the need for modifica-tion of the tax benefit ruling on recovery of real property taxes so as to limit the tax on such re-coveries to the tax actually saved on the previous deduction as in the case of the recovery of unconstitutional taxes.

stitutional taxes.

19. There should be clarification of the provisions regarding life insurance to make certain that life insurance is not includible unless incidence of ownership exists at death; reversionary interest should not be treated as incidence of ownership; the basis of property, acquired by gift but subject to estate tax, should be made the same as in the case of property passing by death and not previously made the subject of a gift; the credit for gift taxes previously the credit for gift taxes previously paid on property transferred inter-vivos should be determined by ap-plying to the gift property the plying to the gift property the highest gift tax brackets of the decedent rather than the average gift tax rate prevailing in the year or years of the gift; estate tax on remainders to charity sub-ject to power of invasion of prin-cipal, etc., should be determined al, etc., should be determined the ultimate event; other as-

VIRGINIA RED LAKE MINES, LTD. or

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 Underwriters—Willis E. Burnside & Co., New York.

WILSON & CO., INC., on Sept. 10 filed a registration statement for 250,000 shares of cumulative preferred stock and on unspecified number of common shares. Details—See issue of Sept. 13.
Underwriters—Smith, Barney & Co. and Glore, Forgan & Co. named principal underwriters.
Financing Temporarily Postponed—It was announced Sept. 28 that the proposed financing was temporarily postponed.

Tax Revision

m page 1861)

pects of reversionary interests need attention.

20. Allow as deductions expenses of preparing individual income tax returns and prosecuting or defending tax cases and obtaining advice in tax matters.

Members of the Committee on Taxation and Public Revenue of the Commerce and Industry Association are:

Laurence Arnold Tanzer, Chairman, Tanzer & Mullaney; George E. Cleary, Root, Clark, Buckner & Ballantine; Edwards L. Cleave
land, Socony-Vactum Oil Company, Inc.; H. B. Fernald, Loomis, Suffern & Fernald; Chairman of Board, Prentice-Hall, Inc.; Laurence Assistant Secretary, Consolidated Edison, Co. of New York, Inc.; Godfrey N. Nelson; J. W. Oliver, Comptroller-Secretary, The Linen Thread Company, Inc.; Paul L. Peyton, Bread, Abbott & Morgan; C. W. Rivoire, W. T. Grant Company; Martin Saxe, Saxe, Cole and Anderson; Walter A. Staub, Lybrand, Ross Bros. & Montgomery; Thomas N. Tarleau, Willkie Owen Otis Farr & Gallagher; O. A. Taylor, Vice-President, S. H. Kress & Company; Wilmer D. Zirkle, Breden & Company.

Corporate Financing Lower Than in Last War

Federal Reserve Bank of N. Y. Ascribes Decline to Direct Financing Help of Federal Government.

In the September issue of the Monthly Review on Credit and Business Conditions, issued by the Federal Reserve Bank of New York, there is an analysis of corporate financing during the war and

a comparison with the period during World War I.
"During the war," states the Review, "the volume of corporate financing in the capital market was subject to wide fluctuations. The

outbreak of war in 1939 was not followed by any sharp expansion in the volume of new corporate in the volume of new corporate issues; despite a substantial increase in industrial activity stimulated by defense preparations, the volume of capital financing increased only about 25% from 1939 to 1940 and remained unchanged in 1941. The entrance of the United States into the way. the United States into the war was followed by a decline in new issues in 1942 to a level 60% below that of the preceding two years, as Government financing expanded and the sale of corporate issues for expansion of peace-time activities and refunding pur-poses contracted. A gradual rise in corporate security offerings en-sued in 1943 and gathered mosued in 1943 and gathered mo-mentum in 1944 and 1945.

"In the three years, 1942-44 the volume of railroad and public utility financing for improve-ments and expansion declined by about 65% from the volume of the preceding three years, while that of industrial corporations in-creased more than 50%. Wartime restrictions on the availability of materials and labor reduced the expenditures of railroad and utility companies for such purposes to a point where they could be met in large part from high current earnings, whereas restrictions on construction and equipment fell less heavily upon industrial concerns which were directly engaged in the war effort. Neverthe-less, the major part of the in-crease in new capital raised by industrial companies went to meet added working capital needs rather than new plant and equipment

"In spite of the unprecedented "In spite of the unprecedented expansion in industrial capacity and business activity during the war, the volume of security issues to finance plant expansion and to supply working capital showed no such increase as occurred during the first World War, and in no year equaled the last peacetime peak of about one billion dollars reached in 1937. lion dollars reached in 1937.

"The reason for this seeming "The reason for this seeming anomaly is the direct financing by the Federal Government of a large part of the war industrial facilities built (or building) between July 1, 1940, and the end of the war. Private enterprise, nevertheless, invested substantial amounts of its own funds in war. amounts of its own funds in war (and war-supporting) facilities. Offerings of new corporate securi-ties for the purpose of adding to plant and equipment, however, amounted to only 2 billion dollars. amounted to only 2 billion dollars. The major part of the expansion, together with enlarged working capital needs, was evidently financed from other sources, including depreciation allowances. Government-guaranteed war production loops. duction loans, Government prog-ress payments and advances on

war contracts, and the temporary use of funds accumulated for tax

payments.
"An entirely different policy was pursued in financing industrial expansion during World was pursued in mancing World trial expansion during World War I when the bulk of the capital expenditures were made with private funds obtained in large part from the capital market. Thus, in order to satisfy the re-quirements of a far smaller proquirements of a far smaller program, domestic corporations floated an average of 1.6 billion dollars of new securities each year from 1914 through 1918 (according to figures compiled by the New York "Journal of Commerce"), as compared with an average of about 1.5 billion a year from 1939 through 1944, and the proportion for new capital inthe proportion for new capital investment was probably much greater in the earlier period. Al-though information concerning the distribution of the new issues be-tween new capital and refunding is not available for the World War I period, in view of the rising trend of interest rates during those years it is probable that a major part of the new issues represented new capital in the strict sense. On the other hand, about three quarters of the value of new corporate securities issued from 1939 through 1944 were refunding issues.

"The predominance of refund-ing issues during the war points to an even more striking anomaly, declining interest rates in war-time. Unprecedentedly he avy Government demands upon the capital market were financed at record low interest rates and yields on corporate obligations deyields on corporate obligations declined further. As a result corporate issues were able to achieve substantial savings in fixed charges by refunding outstanding securities with new issues bearing lower coupons, a tendency which spread into preferred stocks on a growing scale in recent years. In many instances, corporations supplemented the proceeds of the sales of new securities with their own cash resources (which were own cash resources (which were augmented by increased earnings and conservative dividend payments) to pay off outstanding issues. Redemptions of security issues in excess of new offerings, together with open market purchases of outstanding obligations, resulted in a net reduction of about 2 billion dollars, or 5%, in corporate long term debt between the end of 1939 and 1944."

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Page	Our Reporter or
Bank and Insurance Stocks1847 Broker-Dealer Personnel Items1839	Public Utility S Railroad Securit Real Estate Sec
Business Man's Bookshelf1832 Calendar of New Security Flotations.1862 Canadian Securities1853	Securities Salesi Tomorrow's Mai
Dealer-Broker Investment Recom- mendations and Literature	Michigan a
Our Reporter's Report1847	

INDEX n Governments.....1843 Securities...........1822 rkets-Walter Whyte1857

and Connecticut Setions on page 1828; 829

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Frazer Discloses Latest Plans

Vast Dealer Organization Ready to Invest \$100,000,000 for Merchandising Frazer and Kaiser Automobiles. First Cars to Come Off Willow Run Before Year End.

Joseph W. Frazer, automotive manufacturer, speaking before the Financial Writers Association of New York Tuesday night, disclosed that his companies' distributors and dealers are about to invest approximately \$100,000,000 in especially provided by several the completely provided by t



Joseph W. Frazer Henry J. Kaiser

tablishments and equipment to merchandise the Kaiser and Frazer automobiles. The organization will embrace 200 distributors and 3,000 dealers. Mr. Frazer explained that every dealer has a sizable amount of money ready for the improvement of his showroom and service facilities.

ment of his showroom and service facilities.

Frazer cars will begin to come off the Willow Run production lines late this winter, and the Kaiser automobile will follow several weeks later, Mr. Frazer predicted. Full production on both cars will be attained in mid-summer. The entire Willow Run plant, he said, will be utilized for the production of the new Frazer car, a new tractor, the Rotoller by Graham-Paige, and the Kaiser by Graham-Paige, and the Kaiser by Kaiser-Frazer.

new Frazer and Kaiser automo-biles would be completely new from the ground up and would not be redesigned copies of 1942

Kansas City Southern Bonds Now on Sale

A banking group headed jointly by Kuhn, Loeb & Co., Ladenburg, Thalmann & Co., and Blyth & Co., Inc., were awarded a new issue of \$40,000,000 first mortgage 30-year 4% bonds, series A, of the Kansas City Southern Railway Co. on a bid of 9834%. The bonds are on a bid of 98% %. The bonds are being reoffered publicly at 100% and accrued interest. Issuance and sale of these securities is subject to the approval of the Interstate Commerce Commission.

Commerce Commission.

Proceeds from the sale of the series A bonds and \$6,000,000 of promissory notes will be used to reimburse the company, in part, for expenditures in connection with the redemption on July 1, 1945, of \$13,878,000 principal amount of refunding and improvement mortgage 5% bonds; to retire \$26,472,000 principal amount of first mortgage 3% bonds due April 1, 1950; to redeem \$6,983,000 principal amount of first mortprincipal amount of first mort-gage 5½% bonds, series A, of Texarkana and Fort Smith Railway Co. due Aug. 1, 1950; to redeem \$1,114,000 principal amount of secured serial 3% notes; and to to redeem \$7,700,000 principal amount of 21/2 % promissory notes.

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