Collectivism on the
American Scene

By JOHN W. BRICKER*

Former Governor of Ohio


We are a forward looking nation, and great benefits have come to our land and to the world from this fact.

The mainspring of our greatness has been our willfulness, and our ability to think and act boldly and well for the future and to execute our ideas and our ideals in a manner which is the marvell of the world.

But there are signs throughout our land that we are now being called upon to think differently about ourselves and our destiny. Sometimes it seems to us that we are in the hands of the professional intellectuals, and the professional intellectuals mean the able men, and the simple man.

*An address made by Mr. Bricker before The Economic Club of New York, Nov. 29, 1945. Continued on page 2771

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Full Promising Means "Full Employment—Plus"

"By IRA MOSHER"*

President, National Association of Manufacturers

Asserting That Only a Free and Increasing Flow of Capital into Enterprise Is the Panacea for Full Employment and Prosperity, Mr. Mosher Lays Down as Essentials for Increased Investment: (1) A Tax That Will Make Accumulation of Savings Possible; (2) A Tax Policy Which Will Not Take so Much From Gross Income as to Prevent Adherents' Return to Investors. Sees Need of Eliminating Such Special Privileges as Tariffs and Preferences Given to Labor, and Calls for Restoration of a Sound Money and Credit System. Approves President Truman's Labor Recommendations and Urges That Business Men Be Bigger and Bigger and Make Their Objectives Primarily in the Public's Best.

One year ago I resigned from my principal business connection to accept the presidency of NAM. I thought I was retiring to a less active life, but I learned differently mighty fast. I know now that being your president is more strenuous in many ways than running a business. On the

*Address by Mr. Mosher before the Golden Anniversary Congress of American Industry of the National Association of Manufacturers, New York City, Dec. 5, 1945. Continued on page 2780

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Investment Bankers Association of America
Holds 34th Annual Meeting in Chicago

Charles S. Garland is Elected President at First Formal Convention Since War

The 34th Annual Meeting of the Investment Bankers Association of America was held in Chicago at the Edgewater Beach Hotel from Nov. 25 to Nov. 28.


Among the principal speakers were John W. Snyder, Director of Reconstruction, and the Hon. Leverett Saltonstall, U. S. Senator from Massachusetts.

Full texts of the formal addresses made at the meeting and of most of the Com-
Bright Prospects for Utility Investments

By HAROLD H. YOUNG

Mr. Young, After Calling Attention to the Record of Public Utilities Investments, Points Out That Because of the Almost Entire Absence of Reconversion Expenses, Expanding Domestic Use of Electricity and Gas and the Relief From Excess Profits Taxes, the Immediate Future Outlook for Utility Securities Is Promising. Sees Opportunities in Shares of Operating Companies, Formerly Held by Holding Corporations, Which Are Now Being Placed on the Market and Contends That Shares of Some Holding Concerns Offer Speculative Possibilities as Call on Their Underlying Companies Shares in a Break-Up Distribution. Holds Trust Funds and Institutional Investors Would Do Well to Place More Funds in Utilities.

Among the various types of businesses competing for the investor's funds, the public utility companies have established an enviable record. There are few fields in which there has been the year-in and year-out growth which the utility companies have shown. The use of electricity has shown impressive gains in the industrial, commercial and domestic fields. The amount of electricity generated in this country in 1944 was more than five times that generated in 1920 and more than eleven times the output in 1914. As the use of electricity grows, the utility companies benefit.

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Portfolio Management

In a Changing World

By RAGNAR D. NAEES

Investment Counsellor Sets Forth Scientific Principles for the Conservation of Capital and Income. Urges Maintenance of a Balanced Portfolio Over the Long-Term to Give Flexibility, To Meet Changing Conditions and to Provide Insurance Against Emergencies. Recommends Moderate Diversification Among 20-30 Different Equity Securities, Including Young Growth Companies as well as "Big Chaps." The Portfolio Continues to Emphasize the Present Fundamental Upward Price Trend. Lists a Suggested Portfolio, Composed 50% of Common Stocks, 25% of Government Bonds, 10% of "Relatively Stable" Preferred Stocks, and 15% of Preferreds "With Some Price Risk." The management of portfolio depends upon requirements and circumstances of individuals and upon the particular approach of methods used by the investment manager. There are many ways of accomplishing a desired objective in this as in almost every other endeavor. This article deals with the subject of portfolio management from my own point of view as an investment counselor. It deals with the problem of meeting the requirements of the average individual who does not want to speculate in new ventures, is interested in a period of stability and growth, and in receiving a reasonable return on his capital, and, as opportunity may arise, increasing his capital. I would like to discuss certain fundamental principles first which I believe are basic in accomplishing these objectives. Secondly, I would like to suggest certain general applications of these principles, and finally I will apply these principles to the very particular situation. Perhaps much of what I say will be well known and obvious. Sometimes it is worthwhile, nevertheless, to put on paper the thoughts and ideas that investment managers have to struggle with every day of their business lives even if they appear to be obvious.

Fundamental Principles of Portfolio Management

The most fundamental principle is that of recognizing and measuring the element of risk. Investment management is not an exact science, but a scientific approach is essential for success. In engineering, it is possible to determine and to plan beforehand the designation and construction of a bridge to be used for certain specific purposes. A margin of safety can be allowed for, that eliminates the risk of failure to meet the specified purpose. Portfolio management demands the same approach even though the possibilities of error are greater and therefore the risks of failure to accomplish a certain purpose are higher. This approach does not imply that a timid investment policy should be followed. On the contrary, to fulfill the responsibility to owners of funds it is necessary to follow an aggressive course when justified, and a protective policy when needed. An investment policy that is too timid invites stagnation and doom, while an aggressive policy, which over a period of time may bring poor results to a rapidly changing world, is a policy which is too aggressive for investors taking.
The Blocked Sterling Balances

BY PAUL EINZIG

British Economist Holds Purchase of British Goods Against Their Sterling Balances by Members of the Sterling Bloc Will Not Afford the Financial Relief Required by Great Britain to Finance Imports, Sea Danger of Shortage of British Goods Due to Rush of Buying by Holders of Sterling Debt and Although Individual Exporters May Gain, the Nation Will Lose. Estimates Blocked Sterling at $4 Billion.

LONDON, ENGLAND.—Once more the problem of Britain's external floating war indemnity has become the topic of discussion, as a result of the affirmative answer given in the House of Commons by the Chancellor of the Exchequer to a question whether British holders of sterling balances are in a position to withdraw their funds in the form of purchasing and exporting goods from the country to pay their money for purchases of goods not of the Sterling Area. In practice, for the following changes in this question, depending on the circulation of gold:

1. "It will permit coinage of a $30 gold piece.
2. "It will provide for free circulation of gold and the convertibility of gold with silver coinage.
3. "It will authorize the President to revoke the price of gold above the present $35 per ounce limit.
4. "It will permit persons tendering gold bullion to the mints to receive therefrom either coined gold or to surrender, upon his wish." 

Examination of the Bill makes it clear that it is not a gold-coins standard bill but, instead, a bill which provides for fundamental changes in two things: (1) a bimetallism system, with ratios between gold and silver determined by the President; and (2) the revival of the power of the President to devalue the gold and silver currency. The gold-dollar value of an ounce of gold may be less than $35 per ounce. Provision is made for the

Surrendered Liberties

There Is No Let Up of Restraints Upon Its Handicapped Industry by SEC, Which Uses NASD as Its Handmaiden to Annihilate Piecemeal Established Trade Custom and Usage. Additional Fetter, Such as Recent NASD By-Laws, Controlling Profits and Commissions and Requiring Registration of Salesmen, etc., Are Being Applied, and Unless We "Stick Our Necks Out" to Oppose This Tyranny, Free Enterprise Will Disappear and Our Liberties Continue to Fade.

It is an interesting pattern that fliges some of our freedoms.

First there is the legislative lobby. Then comes the formulation of a bill containing numerous general recitals in an attempt to set up what is technically known as an "emergency."

Ultimately the bill finds its way into the hopper and comes out a law.

The personnel which is set up as the enforcement agency to give "teeth" to the legislation usually has amongst its

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Wage-Price Equation And Future Outlook

By HAROLD G. MOULTON
President, Brookings Institution

Asserting That We Possess the Plant Capacity, Labor Personnel, Financial Resources and Technical Knowledge and Experience Necessary for Development, Dr. Moulton Contends That the Present Economic Conflict and Confusion Regarding Advancement Are Government Controls and the Labor-Price Equation. Warns Higher Wages, With Goods Shortage under Fixed Prices Will Intensify Inflation Pressure, and That Wartime Industrial Profits Could Become So Great as to Preclude Ability to Pay Higher Wages. Maintains OPA Control Has Become Profit Control and Unless Prices Can Be Adjusted to Wages, the Cost-Price Equation Breaks Down. Calls for Policy of Realism in Respect to Wages and Seas Ground for Future Prosperity.

The immediate business situation is, of course, best characterized as one of conflict and confusion. The conflict is manifested in the number—"it is enormously better than most observers had anticipated when the United States was forced into the world conflict. In the view of many, participation in a second world war would almost certainly (1) seal the fate of private enterprise, (2) bring about a vast inflation of prices, and (3) result in impoverished and increased unemployment. By the end of the war these dire forebodings had given place to extravagant expectation on the part of some and to a distinctly hopeful attitude on the part of most observers. What are the factors responsible for this remarkable change in public opinion?

Factors of Stability

First, instead of sealing the fate of private enterprise, the war period brought to the American people a whole new belief in the government, a new achievement of it. This profound change is due to two principal factors: (1) the rapid achievement of private enterprise during the war; and (2) (Continued on page 2778)

Government's Role In Full Production

By HON. HENRY A. WALLACE
Secretary of Commerce

Mr. Wallace Expresses Confidence in the Continuance of Our Great Wartime Industry-Labor Record if We Maintain General Agreement as to Objective, a Well-Defined Method of Working Toward It, and Willing Cooperation by All Classes. Urges Help Business by Providing (1) A Revitalized Foreign Trade Promotion Service; (2) Management, Technological, and Marketing Aids; (3) Expansion and Strengthening of the Department of Commerce; and (4) Finishing Government and Business With Statistics and a Complete Analytical Program. Declares That the Salvation of American Industry and Free Enterprise Lies in Technological Improvement, Greater Production, Exports, and Increasing the Value Rather Than High Prices. After Stating That the Danger of Inflation Dominates the Picture, He Supports President Truman's Policy, Which He Interprets: "The Way to Hold the Line on Prices. And the Way to Prevent Deflation Is to Maintain the Volume of Purchasing Power in the Hands of the Consuming Public."

It is fitting to open this Golden Anniversary Congress of American Industry with a strong word of praise for the great job which American Industry did during the war. In my opinion, we did not have such clear-cut agreement in the area of price control as we do agree as to goals it is much harder for us to agree on the best way to reach them. Furthermore, the world is up to something we have never seen before and very different in peace than it was in war. It must be more flexible. It must contain much more room for experimentation, and for difference of opinion. And if we do not want the regimentation and non-competitive systems that are necessary in wartime.

Yet it seems to me that in both these cases, we are still in very solid unity in this country, as far as the interpretation of the American way of life is concerned. Everyone in America, whatever his profession, or business, or consumer—wants our magnificent record continued.

An address made by Mr. Wallace before the Golden Anniversary Congress of American Industry, National Association of Manufacturers, New York City, Dec. 5, 1945. (Continued on page 2784)

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Note—The Ranch Record—March 25 yr. Monthly, ranging from 10 to 25 yr. NOTE—Subject to fluctuations the rate of exchange, remittances must be made in New York funds.
Canada’s Prospective Trends

BY MELCHOLR PAITY


From the investor’s point of view, four primary and closely interrelated factors enter into the determinations of prospective trends in Canada: the labor situation; the financial setting on the Dominion’s balance of payments; and the general direction of its economic policies. The following survey endeavors to point out a few of these factors, rather than to offer a comprehensive analysis.

Labor’s Position

The economic situation prevailing in Canada is characterized by a wage level (in war plants) as much as 30% below the American. A difference in the internal balance of political forces explains this discrepancy, but to some extent. The radical CCF (Cooperative Commonwealth Federation) which swept Saskatchewan last year has been crushed in the Dominion elections of the past summer. The majority of the victorious Liberals is very precarious, but their opponents, the Progressive Conservatives, are as similar to them in economic color as one egg is to another. In other words, the middle class are in control of the Dominion for the next five years, come what may. The recent official White Paper on the economic program of the Government, written by professorial braintrusters in Ottawa, embodies the flower of Keynesian and New Deal economics. But if in practice a rational line prevails, determined by the lack of interest in stable competitive position in the world market makes a reasonable state of things the preoccupation of the Canadian businessman.

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(Continued on page 2770)
Might Versus Right!

By ORVAL W. ADAMS

Executive Vice-President, Utah State National Bank, Salt Lake City, Utah.

asserting that a rash of strikes is breaking out throughout the country, Mr. Adams ascribes it to the false historian principle that might makes right. Says we cannot expect to suppress aggression abroad while we permit it at home, and contends that labor unions under the law are permitted to use violence and force as a test of power as against a test of liberty and to violate written contracts with impunity. Urges revision of law which will place employer and employee in a position where true collective bargaining in good faith is possible.

With the rash of strikes breaking out all over the country, initiated by labor leaders seemingly acquainted in their desire to wage an aggressive war as an international crime and at the same time consciously acquiesce in the use of force at home. I believe it is time to stop and think. Looking back on 50 years of research and experiment, of work that has so richly contributed to our comfort, security and enjoyment, C. F. Kettering formulates the rule that "a problem accurately stated is half solved." Apply that to the matter of labor relations and we are brought face to face with the fact that we must first recognize the basis on which strikes are called before we can attempt a solution to the most serious problem confronting the country today.

Power and Right

Strikes are called on the elemental principle that if you have the power you do not need to be right. In other words, that "might makes right." That is what Hitler taught and what we fought a war to refute.

There is an uncomfortably close resemblance between Hitler's charges against Poland when avoiding Poland, and Reuters charges against General Motors. When attacking that company, and a like uncomfortably close resemblance between Hitler's "take it or leave it" demand on Czechoslovakia and Philip Murray's demand on United States Steel, which he was not subject to "dickering or compromise." Law is intended to insure that might shall not prevail over right. In the past, might was found being used to prevent right in a legal remedy was provided. Thus successively blackmailing, retarding by railways, underselling to drive out competition, limitations on resale prices even of patented art-(Continued on page 2789)

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GEORGE K. COTTRELL

has been elected a Vice President and will be in charge of our New York Office.

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GERARD F. HULBESCH
Real Estate Securities

The action this week by the Office of Price Administration (OPA) in approving higher ceiling rents for a large apartment project will in all probability stimulate new construction.

The case involved a 114 apartment project to be erected in New York, by R. M. Dinmore & Co., Inc.

The ceiling allowed by OPA will be slightly less than 20% higher than ceilings recently present by enjoyed current buildings.

Estimates of the cost of new construction are about 35% to 40% higher than the ceiling of new construction in 1941.

The 35% increase in income should for all practical purposes compensate for the higher cost of construction and should encourage new building.

Now that real estate bonds are selling near par, we would suggest caution in the selection of these securities in view of the probable competition of new buildings in the next few years.

This applies mainly to residential properties inasmuch as the insurance of a fixed income from this type of property is only stabilized for a short time (usually less than five years), on the average, for a one or two year duration.

In determining the stability of income of an office or loft building, a different yardstick may be used. (It is unusual for leases in this type of property to be made for as long as five years in advance.)

We again wish to offer the advice that in order to receive the full benefit of the rise in the real estate securities market, it would be desirable to select bonds which carry with them a share in the equity represented by stock.

Several reorganizations are still taking place because of existing mortgages and the inability of refinancing. Latest announcement was 328th Avenue this week.

Jas. Bums Returns to Harris, Upham

Harris, Upham & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce the return as a part of L. Colonel James F. Burns, recently returned to active duty after a three-year leave of absence from the firm. He will be in charge of the Bond and the Trust Company departments. Col. Burns is a former president of the Association of Stock Exchange Firms.

H. W. Byrne Rejoins F. M. Mayer Staff

F. M. Mayer, 30 Broad Street, New York, announces that Henry W. Byrne has been released from active duty with the armed forces and is again associated with him.

McCarley Forms Own Firm

ASHVILLE, N. C.—John N. McCarley, Jr., has formed McCarley & Co., with offices at 2 Wall Street to engage in the securities business. Mr. McCarley, who was an active duty with the U. S. Army Air Forces from June 1942 until September 1945, was formerly with Maccallum, Smith & Pate.

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Some phase of consumer installment finance after reconservation. It appears that about 96% of the commercial banks will actively compete in consumer installment lending in the years just ahead as compared with about 70% in the immediate prewar period. Banks already in the field will attempt to extend their operations because most of them have found it profitable, and each has a demand on its resources. In addition, there will be many other banks new to the business either as a result of the new number of cases, the banks have secured a practical exchange of offices, sales finance companies or small loan companies or officers of local industrial banks and placed them in charge of the "banks' new consumer credit departments. The number of commercial banks planning to make consumer installment loans is much larger in all phases of this business than (Continued on page 2755)

First CaliforniaAdds

Lawrence, Others

LOS ANGELES, CALIF.—Walter E. Lawrence, Thomas G. Edwards, Donald W. Mansfield, and Harrison E. Middleton have become associated with the First California Co., Incorporated, 680 South Spring Street, Mr. Lawrence was previously with Merrill Lynch, Pierce, Fenner & Beane, and Kaiser & Co. Mr. Edwards was with William A. Packard & Co. and Mr. Middleton with Hartley Rogers & Company.

Hallgarten Appoints

London Representative

—Hallgarten & Co., announce that Hugo W. M. Fleury, who has been associated with Helbert Wagg and Company, Ltd., for over twenty years, has joined the firm as its London representative at 1 & 2 Great Winchester Street.

Hallgarten Appoints

London Representative

—Hallgarten & Co., announce that Hugo W. M. Fleury, who has been associated with Helbert Wagg and Company, Ltd., for over twenty years, has joined the firm as its London representative at 1 & 2 Great Winchester Street.

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I AM PLEASED TO ANNOUNCE THAT

MR. HENRY W. BYRNE

HAS BEEN RELEASED FROM ACTIVE DUTY WITH THE

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IN THE TRADING DEPARTMENT

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THE COMMERCIAL & FINANCIAL CHRONICLE

Thursday, December 6, 1945
The Wheeler Bill on Future Railroad Reorganizations

By ELENA M. FRIEDMAN

Consulting Economist Suggests Amendments To Provide That Junior Bonds BeConvertible, Thus Reducing inProsperous Years the Percentage of Debt to Capitalization. He Urges That Present Railroad Reorganizations Do Incurred Under the Bill, Because So-Called Worshippers of Stockholders Also ShowinEarnings Up to $40 per Share, After Paying Excess Profits Taxes As High as $130 per Share. Notes That ICC Now Admits That It Is "Deeply Sympathetic With Attempts To Allow Present Stockholder's Interests to Influence," and That Federal Court Cites "Injustice to Stockholders and Need for Corrective Legislation." He Approves Commissioner Miller's Suggestion To Give Old Stockholders Deferred Stock or Option Warrants. Mr. Friedman Recommends Either Amending Wheeler Bill to Include New Bonds, or Else Passing the Hobbs Bill First, To Prevent Wiping Out Stocks ShowinG High Earnings.

A measure to avoid railroad bankruptcy in the future could be helpful. The convertible bond should be the keystone of such financiAl reform. Convertible bonds are an old device that should be met in a new and broader way. The ICC might decide that railroad bonds must not expeeed 40% of the total capitalization. All Junior bonds b a t th e limit should, prefer to be refunded into convertible bonds. The conversion prices should be staggered on a scale up, so as not to be self-defeating. When the stock rises, the bonds would be convert¬ ed into stock and would disappear. Their fixed charges would cease. Such bonds, with a special feature, option, could be easily sold. The lock would be unable to any strangle amortization charges and therefore could pay good dividends, and be attractive to the investor and be a medium to finance expansion and improvements. If this method had been in effect in the 1920s, reorganiza¬ tion, bankruptcy and receivership probably would have been avoided for most of the 19 major roads in trouble in the last dec¬ ades. Stocks which have been de¬ clared inconvertible, should be about or 100. At these levels, convert¬ ible bonds would have appeared. Prisco sold as high as 102 and 135 in the years from 1923 to 1926. The South Western, sold as high as 115 and 124 in 1928 and 1929. Stock Island sold as high as 118 to 125 between 1927 and 1931. New Haven sold as high as 129 to 132 in 1929 and 1930.

Therefore, the Wheeler Bill, S. 1533, should be amended so that all bonds above 35% to 40% capitalization, be required to be convertible into common stock. Bonds should not be called in or¬ der to avoid conversion.

Doubt should be further amended to prevent the wiping out of common stock. This provi¬ sion is doubly important in view of the recent experiences of stock¬ holders of railroads in bankruptcy, particularly since the courts have (Continued on page 2780).

Underwriter WANTED by Investment Firm

Our client, a leading PacifiC Coast Investment Securities firm offers an unusual opportunity for a thoroughly experienced underwriter in its San Francisco office.

Wrote fully in confidence to ALBERT FRANZ-GUENTHER, LAW, 420 Ran Blvd, SanFrancisco 4, Cal. New York, Boston, Philadelphia, Chicago

MANAGER AND CO-MANAGER WANTED

Large New York Stock Exchange firm—active in all security and commodity mar¬ kets—has an opening in its new mid-town hotel office for a Manager and Co-Man¬ ager. Requirements will be held strictly confidential. Keefe, Bruyette, Co., Advertising Agents, 190 Broadway, New York 3, N.Y.

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Fourteen well-known and established bonds and stocks; would like to locate with dealer house, listed securities, preferred M1960, Commercial & Financial Chronicle, 25 Park Place, New York 8, N.Y.

TRADE AVAILABLE

Fourteen well-known and established bonds and stocks; would like to locate with dealer house, listed securities, preferred M1960, Commercial & Financial Chronicle, 25 Park Place, New York 8, N.Y.

WANTED

Man, banking experience or credit man for bank job. Knowledge of accounting necessary, good position and good opportunity in Connecticut National Bank, Address Box BC 121, Commercial & Financial Chronicle, 25 Park Place, New York 8, N.Y.

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$1.50 $1.50 $1.25 $1.25 $1.25 $1.25 $1.25

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A New Life-Saver!

BY MARK MERIT

At Schenley Laboratories, Inc. one of the most sensational things al¬ ways awaits one. The most recent one must be labeled AA-1. It be¬ longed to war chemists with the thrill we experienced when we saw our "men in white" labor, heedless of their environment, develop a process for the mass scale pro¬ duction of anti-fogging fluid. Now here's a new wonder drug, just around the corner, which suc¬ cess seems more certain. It is Penicillin and other previ¬ ously known drugs, failed to de¬ stroy. Its name is Streptomycin.

You've heard the story of Peni¬ cillin. Its discovery was probably the most important "accident" that ever occurred. But the dis¬ covered drug was not accidental, Dr. Selman A. Waks¬ man, of Rutgers University, searched for it in life.

We have the space to tell you the whole story but we can reiter¬ ate that this drug is hoped that Streptomycin is a weapon to battle, and to destroy, a number of diseases in man, against which other products have heretofore proven fruitless.

So far, our researchers are mak¬ ing it only in very small quantities, which are distributed to a few medical scientists for use in carefully selected cases. But these "men in white" are working diligently and zealously in our laboratories, as are other scientists in other labora¬ tories, to develop a product for quantity manufacture of Strepto¬ mycin. We hope that it will be available, eventually, for the treatment of thousands of patients.

A molecular approach to the destroy¬ ers of human liberty is over. In many lands today, doves are be¬ ing driven from Their nests, with no precedents What before. But the battle of the scientists goes on—and the uni¬ formities are all different. Their coats are white instead of olive green.

These men are helping to win the peace!

FREE—Send a postcard or letter to Francis, 113th Ave. N.W., Minneapolis 13, Min¬ nesota. A copy of "Streptomycin" will be mailed to you. We are asking for your helpful consider¬ ing regrets of earlier articles on various subjects in this series.
Prospective Cost of Government in United States During 1947-1951

By A. S. Pochat


The end of the war years of the second great world war cannot but raise much speculation on the cost of government and the consequent taxation to support such cost of government.

There exists a general expectation of great governmental activities in all branches of government, in both the home and abroad, and the consequent compulsory general military conscription of all young adults is large and powerful, easy, fortified strategic bases necessary for national defense, and the defense of the world. There is an agreed intention to keep the army in the field for the present and the future, to secure, inure and assure the common welfare, the means which flood magazines and journals in a common direction all governmental invocation to multitudinous tasks which call upon the outlays of large sums of money.

Yet with all this widening of the stream of governmental flow and all this rise of governmental costs there is an expectancy of great decline in taxation now that the actual noise of war has subsided. A revenue of $15 to $22 billions for normal years is assigned as a working need for the Federal Government; lately this has been increased in some quarter to $30 billions.

It is thus most fitting and interesting to appraise the prospective governmental levels of costs in the years just ahead and the per cent increases that may be expected and what drain upon the productive industry of the country such governmental expenses are likely to entail.

For, having reached expenditures per annum for the Federal Government and nearly $10 billions for State and local Government, the Government Financial Officer is evident that a reduction to $20 billions for national and less than $10 billions for state and local government will involve a tremendous exercise of compressing power.

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Surrendered Liberties
(Continued from page 2690)

number more than a few who, in the first instance, were responsible for its pro会有 the then existing conditions. We venture to say that there are multitudes of us who never dreamed that the progressive restraints which, from time to time, were being imposed upon the securities industries by the Securities and Exchange Commission, were a permanent feature that had come to stay.

We expected, and we had a right to expect, that when the alleged emergency would be over, some controls would be wholly relaxed or considerably relaxed.

Instead there has been an unabated reaching out for additional power in which the highlight was the Maloney Act.

Now the Securities and Exchange Commission can use and does use the National Association of Securities Dealers to pull its chestnuts out of the fire, and then, without making any public disclosure of the interlocking activities, the former ostensibly sits in impartial review, on occasions, of the acts of the latter, which acts may in fact be the acts of the former as well.

Are we being fair? We have but to be reminded that when openly challenged upon the "I-will-marry-you" or "I-will-withhold," the Commission took refuge in silence. When it was suggested that the Commission had a hand in the formulation of the recent NASD by-law amendments, again no declaration the facts could be obtained from the Commission.

We have the strongest feeling that a legislative investigation of the coeval activities of both these regulatory bodies would make it plain that this persistent silence where there is a duty to speak, is caused by machinations which are purposely being screened from public view.

The occasions have been numerous upon which we have described the piecemeal amputation of trade custom and usage through the, by age, who knew what and despite the fact that these regulatory bodies are not authorized to legislate.

To the reluctance to "stick one's neck out," to fear of reprisals, we ascribe the fact that a much more militant and courageous fight is not being made for freedom from many of these supervisory controls.

The most brazen invasion of free enterprise made to date was the recent NASD amendments, authorizing by-laws which would control "profits, commissions, and all which may require regulation of salesmen, traders, etc., etc.

At the rate that the fettles are being applied, there is no forecasting where all this will end.

With the emergence of the emergency, we have a right to look forward to the government's relaxing its participation in business. However, in the securities field, if anything, the grasp of government is being increased rather than relaxed. So much so, that the way day before the Commission becomes more costly and more burdensome, characterized by more registration, more reports, and more questionnaires. Simplicity has ceased to be.

The trend is ominous.

The securities field may well become a forerunner of equally onerous control in all other industries.

Safety can be purchased only by resistance. Militant leadership is the crying need of the hour.

Our forefathers knew how to "stick their necks out." They opposed tyranny with courage. They were the benefactors who gave rise to the free institutions forming the basis of our fame.

There is a tyranny presently presiding over the destinies of dealers in securities.

Their liberties continue to fade.

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We are pleased to announce that
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Pennsylvania Breveities

U. G. I. to Exchange Portfolio Securities

Directors of U. G. I. Gas Improvement Co. have voted in favor of a plan to exchange certain portfolio securities for outstanding U. G. I. Gas debts in New Jersey. The plan, which involves a large number of “bunds,” each comprising of one share American Water Works & Electric Co. common, Commonwealth & Southern Corporation’s Consolidated Public Service Co. common, and United Gas Utilities, Inc. common, proposes that holders of U. G. I. common may exchange their stock in the company for shares of the three other companies in a ratio of about $100,000 per year. Operations for the current year are expected to gross about $75,000,000. Termination of war and related restrictions in the automobile industry have tended to restrict 1945 results. However, shipments of automobile body assemblies and sales of stock to the Government through General Motors and Ford are expected to continue at a rapid rate. As a result, the company has been able to bring railroad passenger cars and truck trailer bodies to market. The company has actively entered into the designing and manufacture of sleeping cars and engines for 24 of which are in hand. Construction of 430 railroad passenger cars is also in progress.

Philadelphia Bank & Insurance Stocks


GERSTLY, SUNSTEIN & CO. 425 So. Broad St., Philadelphia 2, Pa. Cashier, Robert C. Hill. Banker, George Love. Other persons elected: A. E. Clark, Chairman of the Audit committee; James B. More, Vice-President; George W. Kinn, Vice-President, and G. B. Beachley, Secretary and Treasurer.

The company owns and operates 43 mines in Pennsylvania, West Virginia and Ohio, with a total reserve estimated to be in excess of 20,000,000,000 lbs. of coal. Current production is about 17,000,000 tons annually. An additional 6,000,000,000 tons is produced by lessees. There are 1,350,000,000 in reserve.

Capital structure consists of an authorized issue of $20,000,000 in $1,000 deb., 1965, of which about 1,000,000 will be issued in exchange for stocks of the old company. Stock consists of a single class of common, par value, of the 2,200,000 shares authorized, $1,352,000 will be presently outstanding.

Edward G. Budd Manufacturing Company

Fortified with an extensive railroad of approximately 108,000,000 in unfilled orders, Edward G. Budd management is looking forward to another year of prosperity. The company will continue to supply the necessary raw materials to maintain a steady production. The outlook for 1946 is promising, with a large number of orders already in hand.

Atlantic Ice Mfgs. Co.

Philadelphia, PA. — Atlantic Ice Mfgs. Co., 1420 Walnut St., Philadelphia 2, has been awarded a contract by the State of Pennsylvania for the supply of ice to the state institutions.

Major Bohemian Returns

PHILADELPHIA, PA. — Major Henry Bohemian, son of the late Henry D. Bohemian, has been released from the United States Army and is expected to return to his duties at Bohemian & Co., 1606 Walnut Street, members of the Philadelphia Stock Exchange.

Baiar and Leftford Are

With Lewis C. Dick Co.

PHILADELPHIA, PA. — Clarke Baiar and Richard B. Leftford have become associated with Lewis C. Dick Co., 1420 Walnut St., Philadelphia 2, as credit manager.

Philadelphia Transportation Company

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Current Market Yields Approximately 6.50% 5% CUMULATIVE PREFERRED $100.00 Par Current Market Yields approximately 6.50% COMMON (No Par) CURRENT DIVIDEND 80 CENTS Current Market Yields Approximately 8.00% Recent Registration of a New Issue to Refund $4,347,000 Par Value of Underlying Bonds will provide funds for general corporate purposes.

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Atlantic Ice Mfgs. Co.

Atlantic Ice Mfgs. Co. 1st Gt. Feb 1949 C/Ds

G. L. Wallingford at

W. H. Bell & Co.

PHILADELPHIA, PA.—W. H. Bell & Co., 1500 Walnut Street, announce that they have again increased the amount of business done with them of Charles L. Wallingford in the past twenty-five years, which has been associated with E. H. Rollins & Sons, Incorporated, in New York and Philadelphia.

Montgomery, Scott Co., To Admit A.G. Hardwick

PHILADELPHIA, PA.—Montgomery, Scott Co., 123 South Broad Street, owners of the New York and Philadelphia Stock Exchange, announce that they have admitted A. G. Hardwick to partnership in the firm as of Jan. 1.

W. J. O'Connor With Paine, Webber Firm

PHILADELPHIA, PA.—William J. O'Connor has joined Paine, Webber & Co., 225 South 15th Street, Mr. O'Connor will continue to handle in the trading department.

George Willis Trading For Allan N. Young

PHILADELPHIA, PA.—George Willis, absent from the Street during the war, is now on the trading desk for Allan N. Young & Co., 225 South 15th Street, Mr. Willis formerly was with W. H. Bell & Co.

Rejoin Gerstley, Sunstein & Co., 2d, returned from the U. S. Army to rejoin Gerstley, Sunstein & Co., 213 South Broad Street, of which firm he is a member.

Seligman Lubetkin Co. Adds Two to Staff

Seligman, Lubetkin & Co., Inc., Broad Street, New York City, announce that Irving J. Silverberg and Jerome Zuckermand have joined the organization. Mr. Silverberg will continue to handle real estate and research work. Mr. Zuckermand is in the statistical department. Both have just been discharged from the armed forces.
Charter that it to wholesome salutary people”—and and simple and Alt scandal with, yet the old abuses remain without wearing new raiment. The war’s scandal are with the old, but the old survive and out of style and modern up-to-date ones have succeeded them. They differ no more than mildly of 1862 divers from her beach suit of 1845. Can. We Mobilier and Teapot Dome. Today it is “Swindle Incorporated” and the “Watergate” corporation. America has approached its problems always with a realization that there is heart and brain enough in America to meet and solve them. When first we founded a Government we had a new world, we recognized and announced the simple and evident truth that all just powers of Government are derived from the consent of the governed. The first three words of the Charter of Magna Charta constitutes the American philosophy were—We the people and the public interest has ever had a place in the yardstick; both define and limits each area and legislation of every act of Government.

Out of the particular problems of the environment, the government has grown many acts of Government. Acts that have been altered to meet the tide of circumstances, the flight of progress, are the deception of obsolescence. It is to one of these, one of the great realities of the people of the “30s,” that I address myself. I speak of the Holding Company Act. It was, and is a sound and wholesome experience. Experience has proven it to be one of the few salutary acts of the reform era. While I claim it to be in its fundamental aspects wise and sound, I do not claim the perfect instrument. A product of times and circumstances that have changed and altered every experience of the past.

"An address by Congressman Boren before the Investors League, Chicago, III., Nov. 29, 1943.

Pennsylvania Municipal Bonds

CHIPPER H. BORENE

U. S. Congressman from Oklahoma

Congressman Boren, Who Is Chairman of the House Sub-committee on the Securities and Exchange Commission of the Committee on Interstate and Foreign Commerce, States That the Holding Company Act Predicts No Radical Changes, and Says That Work Will Be Done With Caution and Restraint by Judicious Care. The House was Constructive Improvement, “But Only in the Extent That Deliberate Care, Studious Research, Caution and Wisdom Clearly Dictate.”

Today on LaSalle Street in Chicago the times are a far cry from the days when the report of the old Board of Trade in the era of Old Hutch,” “Dapper John” and the picturesque Ed Purttey in Washington and Everett. The demands of the days of laizisme are not too gone. Under pressure of inflation and regulation and regulation the old abuses remain without wearing new raiment. The war’s scandal are with the old, but the old survive and out of style and modern up-to-date ones have succeeded them. They differ no more than mildly of 1862 divers from her beach suit of 1845. Can. We Mobilier and Teapot Dome. Today it is “Swindle Incorporated” and the “Watergate” corporation. America has approached its problems always with a realization that there is heart and brain enough in America to meet and solve them. When first we founded a Government we had a new world, we recognized and announced the simple and evident truth that all just powers of Government are derived from the consent of the governed. The first three words of the Charter of Magna Charta constitutes the American philosophy were—We the people and the public interest has ever had a place in the yardstick; both define and limits each area and legislation of every act of Government.

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"An address by Congressman Boren before the Investors League, Chicago, Ill., Nov. 29, 1943.

Revising the Holding Company Act

By HON. LYLE H. BOREN, U. S. Congressman from Oklahoma

Federal Reserve Bank of St. Louis
Digitized for FRASER

PHILADELPHIA, Pennsylvania

A. T. McAllister

With Dixon & Co.

PHILADELPHIA, PA. — Albert T. McAllister has become associated with Dixon, Co., 111 Chestnut Street, members of the New York Stock Exchange. Mr. McAllister was formerly head of A. T. McAllister Co., which has been dissolved.

V. F. Valdes Dead

Victoria Francisco Valdes, who at one time represented Salomon, and more recently held the head real estate firm of Valdes & Co., died at his home Nov. 27. He was 53.

CLEARANCE FACILITIES

The Pennsylvania Company offers Brokers and Security Dealers service and department facilities for handling clearance of security transactions. Our experience is broad. Our service is fast. Our fees are moderate.
Mutual Funds

Last Chance.

"Tax saving is a powerful incentive in getting corporation executives started on a Trust," say Distributors Group in a current mailing to Employees' Profit-Sharing and Retirement Trusts. "And we feel again will this incentive be as powerful for many companies as in the next 30 days."

Elimination of the excess profits tax on Dec. 31, 1945, provides the urge to get doing at once—

for those who are planning to develop this investment field.

Distributors Group also has made available to dealers an unusual and attractive booklet, "Selling as a Career." It is pointed out that the advantages of returning veterans and released war workers will provide investment firms with a rare opportunity to expand their sales person- 

nel. These men will be diligently seeking opportunity to earn a worth-while postwar career. Thousands of good men are becoming available every week, but on the whole they aren't going to look for a "selling" job. Recent surveys show that most of them are prejudiced against selling as a career.

"To get the best men, you will have to offer them the outstanding opportunities that exist in our business today.

"Better for the Widows"—The SELECTED INVESTMENTS Co. presents an attractive and interesting brochure reviewing the eight prize-winning programs which resulted from a contest held by Barron's five years ago. Tables show the results of these programs and comparative figures are given for 1932 and 1944. The study, which has been made for Barron's during the periods under review, is pointed out by the Barron's people as broadly covering the difficult investment period of World War II. It has pointed to much uncertainty and conflicting trends. Despite this fact, Selected American Shares shows an excellent record—not only in terms of income and better appreciation than the Barron's programs.

Keystone Custodian Funds

Two Keystone Funds, Series B-2 and 4-S, have issued reports for the fiscal year ended Oct. 31, 1945. During the fiscal year under review, total net assets of Series B-2 increased from $10,078,378 to $11,737,704, reflecting an increase of about 36% in the number of shares outstanding, and a rise in the net asset value per share from $27.68 to $27.54. Series B-3, during the same period, increased its net assets to $181,511 from $14,525,892, reflecting an increase of more than 86% in the outstanding shares of the fund. Total assets of the 16 Keystone Custodian Funds as of Oct. 31 are reported to be in excess of $105,000,000.

Principle

Lord, Abbott, in a current Investment Bulletin on Affiliated Fund, discusses the principle followed in the management of the Fund's investments. This principle is called "value selection," which means that each issue selected for the portfolio must stand the thorough scrutiny of professional analysts on its own merits as an individual investment value.

The fact that this simple principle has been adhered to by the good record of this fund during the period that this method has been in use, is charted to demonstrate the advantages of continuous value selection.

National Securities Series

The semi-annual report for the period ending Oct. 31, 1945, on National Securities Series 1-A, 1-S, 2-A and 2-S, shows that the total net assets of the Funds on Oct. 31, 1945, are reported to be $21,631,450 as compared with $23,635,450 on June 30, 1944. After deducting the distributions paid to shareholders, asset value per share ranged from $4.75 to $18.75.

Affiliated Fund

Affiliated Fund in its first annual report on the new fiscal year basis covering the period from Jan. 1 to June 30, 1945, reports per share income of $5.82. This compares with $3.18, 1943, 30, last, and with $4.65 on Dec. 31, 1944, the end of the fiscal year, 1943. Assets attained a new level of $30,991,205 on Oct. 31, 1945, compared with $28,450,833 on June 30, and with $25,058,714 on Dec. 31, 1944.

The Situation

In the current issue of Brevity, "The Sander's Co. reports a Standard & Poor's review of stock prices entitled "Confidence in Market Justified."
The following reasons are given to support this position:

1. Previous major advances were financed to a large extent by borrowings, indicating that trading is a negligible factor to-day.

2. There is a healthy relationship between bond and stock yields. The later phases of previous bull markets were usually featured by the selling of stock yields below those for bonds, but such a situation is still far distant.

3. Since money rates are low, and may even go lower, a more liberal cash market—"bigger money—"will be the dominant factor.

4. Fundamental Among Lenders

HUGH W. LONG & Co., sponsor of Fundamental Investors, has released a Standard & Poor's Report covering the nine months' results of mutual investment companies.

To quote the paper, "wherever a client runs across such studies of management ability, he is most assuredly Funda-mental at or near the top."

The conclusion is reached that "taking into account the condition of the market itself, the monitory factor, and individual corporate earnings in prospect, we are con- 

fident that the prices ultimately will reach substantially... "

Propose Change in Date of Annual Meeting of Chase National

If approved by vote of the stockholders of The Chase National Bank at the annual meeting on January 1946, future annual meetings of that bank will be held on the last Tuesday in January. Holders of the bank stock are being informed of the proposed change in the annual meeting date in a formal notice of the forthcoming meeting which was mailed to them with the proxy on Dec. 4.

The National Bank Act requires that the date for the annual meeting of a National bank must be on a day in January specified in its articles of association. At present the articles of association of The Chase National Bank specifies the second Tuesday in January. Holders of the Chase National Bank stock generally have been held. The proposed change in the date of the annual meeting for the Chase National Bank in January it is announced will make it possible for the bank to prepare, print, and mail its annual report to stockholders before the meeting is held, beginning April 1947.

Low Priced Shares

COMMUNITY INVESTMENT COMPANY
A Mutual Investment Fund
Prospectus on Request

Income Series
Shares 
PRICED AT MARKET

PROSPECTUS UPON REQUEST FROM
INVESTMENT DEALER OR
NATIONAL SECURITIES & RESEARCH CORPORATION
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New York 5, N. Y.

Keystone Custodian Funds

Shares of Capital Stock Of
INVESTORS INCORPORATED

Union Bond Fund B

The Lord, Abbott Group

Lord, Abbott & Co. In- ncorporated
New York - Chicago - Philadelphia - Atlanta - Los Angeles

Putnam Fund of Boston

Putnam Fund Distributors, Inc.
50 State St., Boston

REPUBLIC INVESTORS FUND INC. 

HUGH W. LONG AND COMPANY

Incorporated
National Securities & Research Corporation
48 Wall Street, New York 3, N. Y.

John Kornendi Is Reopening Inv. Firm

Captain John Kornendi, A.U.S. says that he has reopened the offices of John Kornendi Company, brokers and dealers in securities. The firm, organized in 1928, suspended business in 1942 when Mr. Kornendi entered military service. He recently returned, and his firm is now being released from active duty.

The Geary

THURSDAY, DECEMBER 6, 1945

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Are Stocks Too High?

By ROGER W. BABSON

Mr. Babson Holds That, Aside From Breaks to Correct Technical Conditions, the Current Bull Market Will Continue and Give Six Reasons for His Belief. Advises Investors to Keep Some Cash Idle for Re-Investment, Concludes That Labor Leaders and Mr. Bowls Will Abandon Their Positions and That Much Prosperity With Higher Prices Is Ahead.

I am still bullish. Although the stock market may have a break to correct technical conditions, I believe that it will be some time before the present bull market will be checked and reversed. There are many reasons for this:

1. The tremendous backlog of unfilled orders.
2. The tax reductions for business corporations.
3. The very few interest payments which mean that even at present stock prices one may secure with safety a better interest return than from banks or bonds.
4. The scarcity of good stocks. There are no good investment stocks listed on the New York Stock Exchange that have been five years old, and with times as much idle money awaiting investment.
5. The wage slump and accompanying strikes will only delay good times, but will not destroy or prevent them. Besides, merchantable stocks and bonds should benefit from wage increases.
6. The fact that stocks are mostly owned outright and that, total stock exchange transactions today only 6% of national income compared with 10% in 1909.

Keep Some Cash Idle

In view of the above, some readers wonder why I also advise keeping some cash and Government bonds on hand. The reason is because of the one chance in ten of a severe break in the market. This might give such extraordinary opportunities for re-investment that it is always advisable to keep a certain amount of cash on hand for this "one-in-ten" chance.

As an illustration of what I have in mind, let me refer to an Investment List recently issued by a well-known New York Stock Firm. It is titled "Eight Attractive Stocks." The securities listed and sold at an average price of $55.50 and average net worth of 36.5%. Yet these same eight stocks sold at an average of only $35 in 1922.

The above does not mean that in the next four months these eight "high-grade" stocks will reach their 1922 lows, but most of them may go down to nearer these figures. At any rate, the discrepant prices of stocks make it possible to keep a certain amount of funds available for such opportunities when, as, and if they return.

More Inflation Is Ahead

It is nonsense to attempt to prevent income or price increases or labor increases. Inflation has followed every great war. There is no other way of paying for such wars. We must take our choice between more inflation or Government repudiation. I have been warning readers of this for the past five years, and those who took my advice are sitting pretty today.

There are two possible ways in which this can happen in the present situation:

1. Unscrupulous handling of prices and profits which will result in increased employment; unusually high prices, and high wages which will result in much unemployment. Neither of these will win out, but, there will be a general compromise by both groups yielding something. This compromise may not suit anybody, but it should result in higher stock prices. On the other hand, it is well to keep some funds liquid in case—one chance out of ten—something unexpected should happen.

My Personal Conclusion

This column has always been successful in advising when to get into the stock market. As to getting out, it is always more difficult. Preceding 1929 there were many danger signals, but there were almost none preceding the decline in 1937. Certainly, conditions are very much better today than in 1929 or 1937 when business was uncertain and when 80% of the stocks were sold on borrowed money.

Both of these bull markets—1929 and 1937—were followed by a deep dive in general business; certainly, this is not in evidence at present moment. Furthermore, money rates were high in those years, while they today are very low with no immediate chance of their going higher. The only fly in the ointment at present is in connection with labor strikes; and I have never known anyone to make money by selling stocks during labor troubles. Hence, my personal conclusion is that both the labor leaders and Mr. Bowls will retreat from their present absolutely unreasonable stands. If so, much more prosperity surely is ahead and the stock market is not too high. Moreover, only by such a compromise will much unemployment be avoided.

Wm. B. Goldie Joins Staff of Riley & Company

(From the Pressroom, New York)

MILWAUKEE, WIS. — William B. Goldie has become associated with Riley & Company, First Wiscon¬
in National Bank Building. Mr. Goldie in the past was with John M. Niven & Co. and the Mil¬
waukee Company.

Electronic Air Filters

Electronics in air filters — to provide super-clean air for top efficiency in men and machines — have been developed and per¬
ected under war-time pressure by American Air Filter Company, Inc., Louisville, Kentucky, largest exclu¬
sive producers of air-cleaning equipment in the world.

Clean air is a necessity today in many industries where machinery and materials in process must be protected against dust, bacteria, fumes or smoke and where worker efficiency is impaired by air contamina¬
tion. Department stores, hotels, hospitals, offices and public buildings, textile mills, food pro¬
ducers, telephone exchanges, chemical laboratories, art galleries and libraries are a few examples of the buildings requiring pure dust-free air.

American Air Filter Co., Inc., has developed, through modern electronics, four distinct types of filters, the first complete line of electronic air fil¬
ters ever offered for commercial and industrial use. The Company also offers the services of an experienced engineering staff thoroughly qualified in the solution of difficult dust problems. Its busi¬
ness is fundamentally dust engineering, and in addition to the technical knowledge accumulated through years of research and experimentation, it offers the practical experience gained from the solution of thousands of lubricate dust problems.

Many leading engineers and consultants whose responsibilities include the elimination of atmos¬
pheric dust rely upon AAF products as the most modern in their line. Since air filters are an integral part of any air-conditioning system, a vast field of operations lies ahead. Already a long and impressive list of successes prove the pre-eminence of AAF equipment and engineering in this field.

The American Air Filter Co., Inc.

322 Union Street, Nashville 3, Tenn.

Nashville

Atlanta

Knoxville

New Orleans

DIAGNOSIS FOR DUST

EQUITABLE Securities Corporation

Nashville

Atlanta

Knoxville

New Orleans

WICHITA, KAN. — After two years' service in the U. S. N. R. Don M. Small has returned to Wichita to resume his duties with The Small-Milburn Company, Wheeler-Kelly-Rogey Building.

Capt. Richard McPherson has returned from 4½ years in the Army, 22 months of which was overseas, and has joined The Small-Milburn Company organization.

D. H. Ellis to Admit

D. H. Ellis & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Guernsey Curran, Jr. to limited partnership on Jan. 1.
Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Since the close of last year, five fire insurance stocks have appreciated 14.7%, as measured by Standard & Poor's Weekly Index. This compares with an advance of 21.4% for the 12 averages. However, from the low levels, the relative appreciations have been 123.3% for fire stocks and 104.5% for industrials. A comparison of the 12-month year end is equally interesting, as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Advance</th>
<th>Fire Insurance Stocks</th>
<th>% Gain</th>
<th>Standard &amp; Poor's Averages</th>
<th>% Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>1942</td>
<td>12-31</td>
<td>12-20-42 to 12-31-42</td>
<td>8.8%</td>
<td>12.8%</td>
<td></td>
</tr>
<tr>
<td>Total period</td>
<td>12-21-42 to 12-31-42</td>
<td>123.3%</td>
<td>104.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-30-42 to 11-26-42</td>
<td>123.3%</td>
<td>104.5%</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Fire insurance stocks, it is plain, advanced very sharply in 1942, but since then have lagged behind the general market, though their rate of appreciation has increased quite substantially this year.

At a class, fire insurance stocks offer unique long-term investment possibilities and are competitive at current levels despite the market rise which has recently carried them above their 1936 highs. Dividend income is moderate, but well covered, and their long-term equity growth is characteristic. Nevertheless, careful and discriminating selection is essential if good investment results are to be obtained.

Fire-losses have been increasing since 1940, and for the first ten months of this year are approximately 7.7% to the same period of 1944. Thus, underwriting results in 1945 will be less favorable than in 1944 for those companies whose allocation of premium writings is heavily in fire risks.

However, as was pointed out in this column on July 5, 1945, fire insurance companies have so broadened their operations in recent years that the name "fire insurance companies" is becoming a misnomer.

According to Alfred M. Best Company, fire-insurance premiums account for 14.6% of total insurance business in 1943; in 1936, they amounted to 15.4%.

Mr. Best states that the fire-insurance business is almost a separate industry, with a stock market of its own, far away from the "mainstream." No one can deny that the industry is an integral part of the insurance business, but it is more than that — it is a separate industry, with its own long-term characteristics.

While the fire insurance business has grown substantially in recent years, the ratio of fire losses to premium writings has decreased, and hence the profitability of the business has increased.

In this respect, the fire insurance business is more like the auto insurance business, which is also a separate industry, with its own long-term characteristics, and not a part of the "mainstream." The ratio of auto losses to premium writings has also decreased, and hence the profitability of the auto insurance business has increased.

It is interesting to note that the fire insurance business is more like the auto insurance business than it is like the life insurance business, which is the "mainstream." The ratio of auto losses to premium writings has decreased, while the ratio of life losses to premium writings has increased, and hence the profitability of the auto insurance business has increased, while the profitability of the life insurance business has decreased.

The fire insurance business has grown substantially in recent years, and hence its profitability has increased. However, the ratio of fire losses to premium writings has decreased, and hence the profitability of the fire insurance business has increased.

In conclusion, the fire insurance business is more like the auto insurance business than it is like the life insurance business, and hence the fire insurance business is more like the "mainstream" than it is like the "mainstream." The fire insurance business is more like the auto insurance business than it is like the "mainstream," and hence the fire insurance business is more like the "mainstream" than it is like the "mainstream."
American Economic Stability

By O. MAX GARDNER

Chairman of the Advisory Board, Office of War Mobilization and Executive Control.

Mr. Gardner urges the Resolution of our Economic and Social Disunity, which he ascribes to the Dislocation of the War. Urges Moderation on both the Leaders of the Jurisdictional Fights Within Labor and the "Masses That are Involved in the Present Real Basis of Management-Labor Disputes Lies in the Twin Fears of Inflation and Deflation; And That a Sound Equilibrium Must Be Reached Through Moderation and Understanding, and Opportunities to Work as Well as Opportunity to Work. Warns Against Frugality and a Repetition of the 1927-29 "Joy Ride." He Urges "Business-like" Postwar Planning by the Government, Stating That the Most Crucial Economic Stability Will Be Our Willingness to Adjust in Changing Conditions.

There is no subject more deeply significant to all of us than that chosen for our discussion here tonight: "American Economic Stability.

We are to find the answer, we are to rest.

With my background and experience, I must confess that I do not pretend to come in the first flush of any expert knowledge qualifying me to speak with authority or finality.

"An address by Mr. Gardner before The Economic Club of New York, Nov. 29, 1945.

For New "Economic Stability" Formula

A. W. Robertson of Westminster says Economic Social and Political Coalitions Are Possibilities Unless a Balance Is Restored in Rights and Duties. Likens Disturbed Situation in Labor Field to Atomic Bomb and Calls for Curbs on Labor Leaders. Mr. Robertson points to the complete financial breakdown in the sound economic life of other nations "we have produced a fire bomb which threatens to burn our economy to destruction if it does not work out," according to A. W. Robertson, Chairman of the Advisory Board, Office of War Mobilization and Executive Control, New York, Feb. 17, 1945.

Cost Accountants to Hear Virgil Ettinger

Virgil P. Ettinger, Tax Consultant, will address the Brooklyn Chapter of the National Association of Cost Accountants, on Wednesday evening, Dec. 12, 1945, at the Central Branch of the YMCA, 55 Hanson Place, Brooklyn, N. Y., at 6:30 p.m. as the subject "Recent Developments in Federal Taxes." Mr. Ettinger was Vice President and Editor-in-Chief of the Tax Service for Prentice Hall for a number of years. At the present time he is Advisory Editor of Prentice Hall and is engaged in private practice as a tax specialist. He is a member of the Academy of Political Science and the National Tax Association. Mr. Ettinger has been a guest speaker on taxes at the Detroit Board of Commerce, National Retail Food Goods Association, New York and Massachusetts State Societies of Certified Public Accountants, and many other business, technical and professional organizations.

Goggeshall is V.P. of Schoellkopf Firm

Schoellkopf, Ruffton & Pommergau has appointed George K. Goggeshall as the firm's vice-president. Mr. Goggeshall announces that George K. Goggeshall, an accountant in New York, has been appointed as Vice-President in charge of the New York office, 63 Wall Street.

Mr. Goggeshall has been in the investment business for the last 15 years, having started with Harris, Forbes & Co. in 1925. As a partner in the Rugh Co. since 1931, he has specialized in trading and sales work, with particular attention to institutional and out-of-town clients.

Shirley H. Baker Returns to Heller, Bruce & Co.

SANTA CRUZ, Calif., May 27, 1945—Shirley H. Baker, USNR, has returned to Heller, Bruce & Co. in San Francisco, and will serve as assistant general manager and trader after three and one-half years in the U. S. Navy.

Sees Lower Price Rise Than in 20's

C. A. R. Powell of International Statistical Bureau Looks for No More Than 6% or 7% General Price Increase in 1946 Unless All Controls Are Abandoned.

Commodity price averages will continue to rise in 1946, according to C. A. R. Powell, economist of the International Statistical Bureau, Inc., who spoke on the subject "The Outlook for Commodity Prices in 1946" before the Purchasing Agents Association of Western New York and the Builders Exchange Club on Nov. 26. The extent of the price rise will vary, however, with the length of the inflation following the last war.

Major reasons why commodity price level will rise in 1946 are fairly obvious, according to Dr. Wardwell. There is a tremendous demand for commodities and for all types of civilian goods. Consumers need and will purchase large quantities of automobiles and appliances, certain types of food that have been scarce in the past, more clothing, less machinery and house furnishings, and more appliances. Distribution and manufacturers in the automobile business will call for the demand by placing orders for necessary inventory replacement, and above amounts needed to meet current shipments or sales. For the next year or two, there will have some effect on industrial and clothing markets, and large-scale shipments of industrial supplies and raw goods may also be expected.

Producers themselves will require a full deal of new construction and capital equipment, with all plant capacity being generally over-expanded during the war will be justified only if we lapse into a much lower level of production and business activity than seems likely. Both textiles and wear and tear have been raised to high levels. Much new machinery is needed, particularly in printing, paper making and textile fields. Further new construction is necessary to handle a new high level of post-war civilian goods demand.

In addition to strong demand, Dr. Wardwell pointed out that most commodities are still relatively scarce. Production in reconverted industries is still far below a normal level. Lack of shipping, scarcity of foreign supplies and governmental controls are to a free flow of imports. Strikes, labor market shortages, lack of adequate machinery and equipment are additional factors interfering with the rapid increase in the production of civilian goods.

The "Inflation danger" confronting us is perfectly illustrated by what happened in 1919. By Jan. 1919, all controls were gone. Within 13 months after the post-war stabilization low point reached in February the general level of all commodity prices had increased by 28%. An immense inventory speculation bidding by manufacturers for semi-processed goods drove up the price of these commodities by 80%.

While emphasizing the prospect of further price increase Dr. Wardwell cautioned against the belief that the advance would be as serious as the last was. In fact, in the advance in the entire commodity price index during 1946 probably will not be more than 6% or 7% unless all controls are removed. OPA will necessarily increase many ceiling prices; but speculation will hardly be excessive under these and other conditions. While OPA itself may not surmount mid-1946, well informed political opinion against interfering with controls on rents and essential scarce commodities will be continued beyond that date.

DIVERSIFICATION

We believe that every man with dependents will agree that diversification of investments is not a good job without a substantial amount of life insurance, which pays promptly 100% in cash when the policy becomes due.

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The Prudential INSURANCE COMPANY OF AMERICA
A mutual life Insurance company
HOME OFFICE NEWARK, NEW JERSEY
Railroad Securities

Regardless of the fate of the various resolutions and bills relating to railroad reorganization which have been introduced in the House and Senate in recent weeks, it is generally conceded that the Missouri Pacific plan is due for major revisions. It is expected that some new proposal will be forthcoming in the relatively near future.

Payment of the Iron Mountain position of the road makes the present plan pretty much obsolete.

As of the end of September the road had net working capital of close to $90,000,000 after allowance for payment on Oct. 1 of over $3,000,000. Payment of the 1st & Refunding Mortgage bonds. It is estimated that this balance will be increased, or will be increased, by roughly $120,000,000 from tax acceleration of amortization of defense projects.

With this in mind, the people of the road should enter 1946 with net working capital somewhat above $70,000,000 after payment of the $24,150,000 of principal of the Iron Mountain bonds.

Obviously a reorganized Missouri Pacific would not need nearly that large working capital. It would not need the concern to pay off in full the claims of the RFC, the CCC, and the banks for around $38,000,000 which would leave the company with net working capital of perhaps more than $40,000,000. All of these claims are to be canceled, unless under the present plan, in cash and new 15 or 25-year 1st Mortgage bonds. Payment of these claims and the Iron Mountain bonds (the latter has already been paid) would release $55,213,000 of new 1st Mortgage bonds for reallocation to the old bond holders.

If the funds were supplied by Pacific Mortgage the reallocation would presumably go to the bondholders of that road and not be distributed also to holders of the New Orleans, Texas & Mexican and International-Great Northern.

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BERKLY 5-1303

Diamond Anniversary for Missouri-Kansas-Tex.

The Missouri-Kansas-Texas Railroad, during the week Oct. 29 to Nov. 5, celebrated its diamond anniversary (1870-1945). The celebration was held at Parsons, Kansas, in the interests of the citizens of that community.

Raymond J. Morris, chairman of the "Katy" board, referring to the celebration, stated it was "the finest tribute any railroad ever received . . ."

"The term 'Katy family' is not just a play on words. It is a very real and enduring relationship enjoyed by all who are active in the railroad's operations and the communities which the Katy serves, in the belief that our people live and work," he said. "So long as there is a Parson and a Katy, I hope that we will always consider ourselves as members of the same family, working together for the common good."

Mr. Morris further said that "it can see no obstacle in the pull of industrialism, the concentration of our crowded eastern areas and the obligation of industry, population and wealth to our territory. If it had not seen this inevitable change, we may be sure that it would not have decided to cast my whole spirit along the railroad was one of its most valuable assets.

Wants Business to War on Collectivists

E. F. Hutton, in an interview, asks for a standard bearer to lead attack on "Ball-and-Chain" Rule of Collectivist Politics. Says Business Must Speak Up; question Answers New Deal Ideologues Are Getting Ready to Forge New Regulations on Private Enterprise.

As according to an item published Dec. 4 in the New York "World-Telegram," reporting an interview with Edward F. Hutton, chairman of the General Foods Corporation, at his home in Westport, Conn., a. the chairman said as business to combat collectivist ideology which he described as a "ball-and-chain," Rule philosophy. Hutton said "collectivists," succeeded in what they are planning will kick butt American economy and "put security on a car with what precipitously, that's Bingley ening." It's "about time that we examine this ball-and-chain and that this determined group of utterly unenlightened, irrespective of all who with the eye on self-seeking stallion, are deliberately attempting to bring America to bankruptcy by continuous deflation and destitution by debt."

Mr. Hutton is reported to have said that "there is a minority of determined, vicious, ambitious autocrats striving and planning to make the kind of society of the ball-and-chain."

Mr. Hutton is quoted as saying that "they render lip service to the Democratic Party, but in fact they have been dictating to President Truman, yet they cannot and will not agree with what the President said in his radio address of Aug. 9: 'A society of self-governing men is more enduring, more creative, than any other form of government, however disciplined, however centralized.'"

"There is a standard diametrically opposed to the ball-and-chain; there is a premise based on truth and born of experience."

"Continuing that a...'New Deal' ideological are getting ready to forge the ball-and-chain again, Mr. Hutton declared that 'a minority of un-American individuals are planning to triumvirate in an enterprise and the competitive plural-and-laws system they that can take over and create the perfect monopoly. The ball-and-chain will be first for capital, then

Chicago Railways Co.
Cons. "A" 5s, 1927

Northern States Power
6% Preferred

Interstate
Bakers Corp.
Common & Preferred

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Chicago

1945

Thursday, December 6

The "Katy:" a "ball-and-chain" for business?

By John N. Haseloff

George V. Jackish Has
Rejoined Harris Uppham

MINNEAPOLIS, M.N. — Mr. Jackish has returned to Harris, Uppham & Co., Northwestern Bank Building as a trader. Mr. Jackish entered the Army in January 1944, serving in the Service Forces as Sergeant in Personal Affairs Division at Ft. Snelling, St. Paul, Minn., and on other special detached service in the areas of Edwards, Mass., and various posts within the Service Command. He was discharged in October 1945.

YUMS BUY BONDS of the VICTORY LOAN

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BERKLY 5-1303

Wants Business to War on Collectivists

As According To An Item Published Dec. 4 In The New York "World-Telegram," Reporting An Interview With Edward F. Hutton, Chairman Of The General Foods Corporation, At His Home In Westport, Conn., Mr. Hutton Said As Business To Combat Collectivist Ideology Which He Described As A "Ball-and-Chain," Rule Philosophy. Hutton Said "Collectivists," Succeeded In What They Are Planning Will Kick Butt American Economy And "Put Security On A Car With What Precipitously, That's Bingley Ening." It's "About Time That We Examine This Ball-and-Chain And That This Determined Group Of Utterly Unenlightened, Irrespective Of All Who With The Eye On Self-seeking Stallion, Are Deliberately Attempting To Bring America To Bankruptcy By Continuous Deflation And Destitution By Debt."

Mr. Hutton Is Reported To Have Said That "There Is A Minority Of Determined, Vicious, Ambitious Autocrats Striving And Planning To Make The Kind Of Society Of The Ball-and-chain."

Mr. Hutton Is Quoted As Saying That "They Render Lip Service To The Democratic Party, But In Fact They Have Been Dictating To President Truman, Yet They Cannot And Will Not Agree With What The President Said In His Radio Address Of Aug. 9: 'A Society Of Self-governing Men Is More Enduring, More Creative, Than Any Other Form Of Government, However Disciplined, However Centralized.'"

"There Is A Standard Diametrically Opposed To The Ball-and-chain; There Is A Premise Based On Truth And Born Of Experience."

"Continuing That A 'new Deal' Ideological Are Getting Ready To Forge The Ball-and-chain Again, Mr. Hutton Declared That 'A Minority Of Un-american Individuals Are Planning To Triumvirate In An Enterprise And The Competitive Plural-and-laws System They That Can Take Over And Create The Perfect Monopoly. The Ball-and-chain Will Be First For Capital, Then
Canadian Securities

By BRUCE WILLIAMS

In the topsy-turvy world of today commodity-starved countries refuse willing exporters. Moreover, in the case of Canada, which is anomalously outside the Sterling area, Dominion exports are barred from access to British Commonwealth countries. Canada—potentially the most powerful economic unit of the British Empire—is not permitted to play her proper role in the economic rehabilitation of Britain. Indeed, preventive in-

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NEW YORK, N. Y.

Canadian Securities

In the topsy-turvy world of today commodity-starved countries refuse willing exporters. Moreover, in the case of Canada, which is anomalously outside the Sterling area, Dominion exports are barred from access to British Commonwealth countries. Canada—potentially the most powerful economic unit of the British Empire—is not permitted to play her proper role in the economic rehabilitation of Britain. Indeed, preventive in-

Whitcomb Again Active

At Phelps, Fenn Co.

Whitcomb, Fenn & Co., 39 Broadway, New York, N. Y., reports that Richard E. Whitcomb has been released from active duty with the U. S. Navy and has rejoined the firm as a general partner in the firm.

Huff Rejoins George

Georgetown, N. Y., reports that J. C. Huff, Jr., has been released from active duty with the Armed Services and is again associated with them.

Truman on Reconversion Progress

In Press and Radio Conference He Tells Position of Manpower, Plant

Reconversion and Production and Lifting of Wartime Controls. Held

Three Thursdays Since August Has Been Less Than 1% of Total Working Time.

At his press and radio conference on Nov. 29, President Harry S. Truman gave out the following:

Truman stated that reconversion is a two pronged affair: there are 100 days of retraining and 100 days of production. He added: "We have made a decision to have a follow-up program."

Manpower:

The first problem was the reduction in the numbers of the layoffs. As the war has drawn to a close, the union-managed plants have now been reduced to the point where they are working within the shipyards, and in non-war activities it has increased since V-J Day. Total employment has now returned to the V-J Day level and is expected to continue.

Unemployment so far is less than has been anticipated. In fact, the number of unemployed is less than what was anticipated and still in a transition period. The rapid decrease in the number of forces will undoubtedly increase the unemployment trend over the next few months.

During these first 100 days, a total of 923,000 men lost their jobs demobilized. We have stepped the rate up to 50,000 a day, and expect to continue to this pace.

Plant Reconversion:

The job of reconverting our plants was peace is virtually completed. Of all the plants we started on, 82% were cleared in 60 days or less after re-organization. Two-thirds of these plants were cleared within 40 days of reconversion. Twelve billion dollars worth of war contracts have been cancelled since the surrender of Japan.

Lifting of Wartime Controls:

All war-type controls were lifted the day after Japan surrendered. These include such things as the 5% ceiling on sugar, 15% ceiling on tires, and almost 100% of OPA’s controls have been removed. OPA has reduced orders and regulations on 650 commodities, and the peak of 650. OPA has 14 orders in effect, as compared with 917 during the war. About 85% of wartime export controls have been lifted, and 75% of wartime level of controls.

Production—Most peacetime products are already in produc-

tion or at least in the drawing room, where we have moved only from shipping trade. This movement has put in place the consumer durable goods which are in such short supply today. In the last five years, 1945 to 1950, we have shipped to China and Japan 55,000,000 cars, 55,000,000 trucks, 55,000,000 washing machines, 55,000,000 refrigerators, 50,000,000 radios, and 50,000,000 television sets.

Business Activity—Prices continue good. Here are some in-

Defficient goods:

Retail sales, up 10% now as compared with the same period last year; steel ingot production, last year to 1950, 9% sales, and 40% prices.

Price gains are coming on the heavy end of the market, with a 1950% increase in the last five years. This development shows in reports of rapid rise in the prices of real estate, automobiles, and farm equipment.

Upholds OPA “Cost Absorption” Principle

Stabilization Director Collet informs OPA Administrator Bowles that To Allow Current Cost Increases to Be Automatically Translated Into Over- rides. New order—Executive Order 5999 and 9651. Says Actual Operating Costs in Transition Period Under Restricted Volume Production Are Not Adequate to Base Fairness of Existing Ceilings.

The OPA Administrator released on Nov. 28 the text of the letter from Stabilization Director John C. Collet expressing the directive filed on Nov. 28 with the Federal Register. This directive affects the application of OPA’s wage-price policy to the OPA’s reconversion pricing formula.

Dear Mr. Bowles:

You have asked for a ruling on an important question concerning the application of the Recreation Compensation Act. It is a question whether, in the application of these formulas, current cost increases resulting from non-wage factors may be considered.

Compared wage increases should be automatically translated into ceiling prices or whether ceiling prices should be increased only if it is determined that the cost increase cannot be absorbed.

In my judgment any pricing policy under which, at this stage of production, current cost increases result in higher ceiling prices, would be inconsistent with the purposes both of Executive Orders 5999 and 9651 and of the stabilization laws.
Securities salesman’s corner

By John Dutton

Some more on Segregation of Securities Dealers

Here are some of the opinions that have been expressed by small retail securities dealers from different parts of the country on the suggestion made in this column last week that we encourage a protective association. By small, we mean businesses that are not members of any exchange, nor large enough to underwrite issues and have an organization of officers, partnerships, and salaried personnel.

There seems to be a general agreement that any new organization that might be formed have as its main purpose the protection of the welfare of the retail securities dealers primarily interested in the "over-the-counter" market; that it should be composed and run mainly by non-member firms and small retail organizations, even through larger firms would be admitted. The consensus of opinion seems to be that the larger firms are adequately represented by existing organizations. The dealers, too, urge that the governing body be composed of representatives of firms having GEOGRAPHICAL DIVERSIFICATION on the theory, as one expressed it, that "New York City may be the corn of the financial apple—but it’s not the whole apple—and neither is Chicago or San Francisco.

Now here are some of the specific suggestions for such an organization which might be included in its organizational set-up and its objectives.

One dealer asked why there isn’t some place where he could go to get interpretations of new laws and regulations that affect his business. He said he didn’t want to go near the SEC. In fact, he said that from his experience, most dealers wanted to stay away from any contact with the offices of the commission. If he had a question on some point about the law, he was afraid that writing the Security Laws he would be glad to pay for such a service. He thought if an organization was ever formed that had for its real purpose the protection of the interests of the retail dealers, he would be inclined to become such a service provider, and that he would be of the opinion that he was getting something besides window-slicks, pickles and cakes for his membership. We understand that no legal advice can be given by any such organization, BUT INTERPRETATIONS ARE ALLOWED TO MEMBERS IN LANGUAGE THAT THEY CAN UNDERSTAND, AND THIS IS PERFECTLY PERMISSIBLE UNDER THE STATUTES.

Another dealer thought it was ridiculous for the NASD to make a survey and then to refuse to release the information to institutional business. "Listed business where brokerage charges were simply added, institutional orders, highly active unlisted stocks (such as price and volume shares) and also the inactive smaller issues, lump the whole thing together and strike an average of mark-up. WE AGREE WITH PROCEDURE IS NOT ONLY UNSCIENTIFIC FROM ANY STATISTICAL VIEWPOINT—but the result consists in making the dealer pay for the stockbroker's services."

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55 Liberty Street, New York 5, N. Y.

Hemphhyl, Noyes & Co. Celebrates Thirty Years in Investment Business

Four sons of four senior partners of Hemphhyl, Noyes & Co., 15 Broad Street, New York City, investment bankers, were discharged banks, were discharged banks. It was following the footsteps of their fathers when they started work Wednesday with that firm as it celebrated its thirtieth anniversary, when the sons are Hemphhyl, Noyes & Co., Class of '94, received a commission as始于 September 1941 and saw considerable action in

Thursday, December 6, 1945


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U. S. Savings and Loan League Elects Henry P. Irr President

Henry P. Irr, President of the Baltimore Federal Savings and Loan Association, was elected President of the United States Savings and Loan League at their annual meeting in Chicago, Walter W. McAllister, President of the San Antonio Building and Loan Association, and former Vice-Chairman of the League's Postwar Progress Committee, was chosen Vice-President of the Association.

Mr. Irr is the first Marylander to be elected head of the League. He is the third President of the League to hold the office for more than a half a century. 

His position is a sign of the existence of this organization of 2,700 savings and loan associations, cooperative lending institutions, Federal Home Loan Banks, and state savings and loan institutions.

Henry P. Irr

J. A. Kiser Returns to Kiser, Cohn Co.

INDIANAPOLIS, Ind.—Kiser, Cohn and Company, Inc., Circle Tower, announces that Captain J. A. Kiser, who was connected with the company from 1937 to February, 1942, has been placed on inactive service by the U. S. Naval Reserve. He was with the company from 1937 to February, 1942, has been placed on inactive service by the U. S. Naval Reserve. He was with the company in the capacity of a private

Capt. Dave With Rollins

STEIN BROOK & ASSOCIATES, Inc.

14 Wall Street, New York City, announces that Capt. Dave With Rollins, a captain of a Maryland Federal Savings and Loan Association, recently returned from newly returned from two years in Europe with the Army Air Forces, has been released from active duty and has become associated with Kiser, Cohn & Company.

Inquiries Invited From Institutional Investors

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The thought of a few men having control of the atomic bomb involves us in a realization that their power should be curbed, but what difference would it make between having your business blown to atoms and having your business ruled by the same group of men preventing you from using your property? In both cases you suffer equal loss. We need to realize that power to destroy must be curbed wherever it is found or freedom will not be lost.

As far as I am concerned, the man who takes from me by force, what is not rightly his is a robber. Even if a vote is taken on it it is number is legion. Tyranny may be exercised by the many as well as by one.

We need to awaken to the fact that there is no end to the business organizations among people who can, by the simple act of stopping work and preventing others from doing their jobs, hold up the rest of society and extract whatever they wish. We need to acknowledge duties as well as rights.

Unless there is public acceptance of duties as well as rights, the national economy will "slow down by right checking right until we are literally doing more and more and producing less and less and the imbalance will become so chronic that we may ultimately run down entirely," Mr. Robertson asserted. He continued:

"To keep going, and go we must, the modern specialized workman must know his rights and duties in terms of modern social needs. It is equally imperative that the employer know his rights and duties in terms of social needs. All of us, whether employer or employee, must recognize and accept the fact that certain rights and duties are fair, reasonable, and necessary to the well-being of society.

"Here is the point where a common standard of understanding must be found if we are to escape the deadlock inherent in the diversity of our interests. Due to the confusion of rights without duties, the time of citizens is taken up with actions which cannot be settled because of lack of accepted standards. Alleged rights are insisted upon. Duties are unknown. Liberty is threatened.

"Is it not that time that we, the people, insist on every one and every organization standing in line and waiting its turn? A little unrest and confusion may be overlooked in our swiftly changing world, but in the end order is of necessity the basic element in our economic stability." 

Outlook for Investment in Business in Canada

By A. R. Duffield

Vice-President, Wood, Gundy & Co., Ltd.

Retiring Chairman, Canadian Group, Investment Bankers Association of America

Mr. Duffield traces Growth of Investment in Canada, Both Foreign and Domestic, and Points Out That as Far Back as 1917, Canadian Investment Was About $18 Billion of Which Almost Two-Thirds Was Held at Home. Points Out That Canada's Financing of Both World Wars Was Done Almost Entirely by Canadians, Despite Fact That Government Debt in Five Years of War Increased by Over $12 Billion, or $1,100 per Capita. Holds Canada Is Now Independent of Foreign Capital, but It Proves That How Well Equipped Assets Canadian Industries Are Financially Stronger Than Ever, and That Opportunities There For Profitable Investment Are Very Favorable.

The investment business in Canada is comparatively new. Prior to World War I, Canada's financing requirements were furnished in a large measure through British capital. Capital, until recently, amounts from the United States. It was with the outbreak of the last war that domestic financing became so significant. In November 1917 the Government of Canada's first large public loan had an objective of $100 million, which was raised. The amount was then increased to $100,000,000. From this point on, war expenditures in Canada were financed entirely in the domestic market, outside of $75,000,000 in New York in 1916 and 1917. Between March 31, 1914 and March 31, 1920, the Dominion's outstanding public debt increased from $4,040,000,000 to $3,041,500,000—a decrease of $1,000,000,000 or per capita of the population.

A. C. Duffield

Finance during World War I, Canadian investment houses played a leading part. Beginning Sept. 11, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan in November, 1917, they directed the Victory Loan

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GOVERNORS (Continued)
Protection of Customers—Cardinal Factor

BY CHARLES S. GARLAND
Incoming President Investment Bankers Association of America

In His Inaugural Address, Mr. Garland States That Investment Banking, Despite Wartime Manpower Losses and Distractions, Has Grown Steadily Stronger and Is Prepared to Play Its Part in Maintaining a National Economy Looking Toward World Leadership. Cautions Against Allowing Increased Underwriting and Upurge in Securities Prices to Diminish Zeal in Protecting Investor's Interests and Says Protection of Customers Is Cardinal Factor in Sound Investment Banking. Calls for a Strong National and International Economy.

I am deeply appreciative of the honor you have conferred upon me, but I am keenly aware of the responsibility which the office imposes.

It is almost four years since our last convention at Hollywood which adjourned on the eve of Pearl Harbor Day. Much has taken place during this interim and it seems appropriate to consider these war years as background in aiding us to project our future.

A great many of our members have been in uniform and far too many have unfortunately given their lives. Certainly, every man in this room has played a significant part in the service of our country through War Loan Drives, Civilian Defense Committees, Draft or Ration Boards, Red Cross and National War Fund Campaigns. We have every reason to be proud of the contribution made by our membership.

During these four years we have seen democracy at work to a more stimulating degree than ever before. Business men, both capital and labor, have been intimately concerned with Government and Government has worked closely with business. Business has learned to understand the military and conversely the military have an unprecedented respect for business.

And we have found ourselves the pivotal nation in the shaping of the world's destiny—a position we have never before attained.

Investment Banking Stronger. And yet during all this time, the investment banking business, despite our loss of manpower and our many wartime distractions, has grown steadily stronger. Stronger internally through a more intimate knowledge of our own business and through increased material resources; stronger externally through the consistently improved public respect for our business, its personnel and the importance of its functions.

We have lived through these years strictly on a day to day basis—our food, our gasoline, our domestic servants, our business and even our worries have been rationed daily. It has been virtually impossible to engage in any long range planning.

And then with Y-J Day there was suddenly returned to us the opportunity to look ahead and to plan for the future. Such planning should be predicated upon the experience gained during the war years when we have learned something of the responsibility of the United States to the world; the responsibility which each one of us as citizens owes to the United States; and the responsibility of the investment bankers to the economy of the United States.

A Strong World Economy. In considering the future, it is unnecessary to remind ourselves that world peace depends upon a strong world economy and this in turn depends largely upon a strong United States economy, for today the whole world is looking to the United States for leadership. As investment bankers we shall undoubtedly play a significant part in the channeling of investment funds into foreign fields; either directly or indirectly through the operation of Bretton Woods or the Export-Import Bank.

One task we have immediately before us is the successful continuation of the Victory Loan Drive. Believing that every private investor, large or small, should own Series E Savings Bonds, I urge our membership, between now and Dec. 8, to re- view their individual accounts toward that accomplishment.

With the experience of the past four years, it is incumbent upon us to keep alive that higher plane of understanding between Government and business. As citizens, we owe the fulfillment of that objective.

Responsibility of IBA. We must accept the responsibility that the banking and securities business in all its phases constitutes an important factor in our national economy—but we must also understand that its strength can be maintained only by recognizing the different points of view which exist among the various segments of the financial business. Having the same fundamental objectives, we must not allow our individual activities to be limited by internal disunity. The principal functions of our business are to provide for the flow of private capital into the businesses of free enterprise and to create a fair market place for new and outstanding issues of securities with the proper protection for the customers a cardinal factor. We must not allow the increased activity in the underwriting business nor a continued upsurge of securities prices to diminish our zeal in protecting the interests of the investor. Toward these objectives the efforts of this Association and its members will be directed, and I assure you it is with pleasure and enthusiasm that I enter upon this work with our new counsel, Murray Hanson.

The fascinating business of ours was not created by us of this generation. It was handed down to us and we hold it in trust to turn over to our successors. For the first time in four years we now have the opportunity to prepare for the selection of our successors and I know of no more important nor more pleasant task than the employment and training of young men of character, initiative, and human understanding to carry on.

The future holds our greatest opportunity to serve, for we must recognize that it is only the military phase of the war that has yet been terminated and that there are probably more serious and complex problems. Therefore, with the experience of the past four years and in light of current and future world events, let us resolve to fulfill our obligations as responsible citizens of the United States engaged in a business which is vital to a strong national and international economy.

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Wants Double Taxation of Corporate Income Ended

Richard P. Dunn, Chairman of the Federal Taxation Committee, submitted to the Convention of the IBA at Chicago a brief report on the outlook for future Federal taxation and recommended specifically that double taxation of distributed corporate income should be eliminated and reduced, and

that the capital gains taxes should be revised. The text of the report follows:

After V-J Day Congress moved rather rapidly in granting relief by the President. Briefly, this bill from high wartime tax rates. The repeal of the excess profits tax as of Jan. 1, 1946, and also lowered the two percentage points the corporate surtax rate. Twelve million taxpayers were dropped from the rolls by increasing personal tax exemptions, and cuts in individual rates provided reductions in the higher brackets. Other changes included repeal of the capital stock tax, the declared value excess profits tax and the automobile use tax. The bill gave real relief to both corporations and individuals for 1946, and taxpayers cannot hope for further reductions (except those resulting from administrative changes) until 1947.

At the present time it appears only a slight chance that Congress will overhaul the entire tax structure next year. Instead there will undoubtedly be further amendments to the present act. At the present most of the Washington gossips do as to with lower individual rates and a substantial reduction in the excise rates. There is much expected to lower individual rates, increased exemptions and more generous treatment of earned income. There is also considerable agitation and interest in providing relief for individuals (and partnerships) engaged in business since the new tax bill gives the advantage to an incorporated business over the sole proprietor and the partnership.

Next year when Congress tackles the job of further tax relief, the estimate of Government revenues for 1946 and 1947 will have a direct bearing on the amount of tax reduction which can be granted. Congress is fearful of a serious inflation, and at the same time realizes that our national income must be high enough (Secretary Vinson says $130,000,000,000,000 minimum) to produce tax revenues to cover a budget of about $22,000,000,000. If such national income is to result, production and employment must be at peak rates, and many of our legislators are beginning to realize that serious tax defects must be removed.

While much relief has already been granted, it is safe to say that further cuts in individual tax burdens will be made next year applicable to 1947 incomes. Most of this will be in the lower and middle brackets, but there should be at least modest relief in the higher brackets.

Your committee recommends that double taxation of distributed corporate income should be eliminated or reduced. Your committee also recommends that the capital gains and losses provision of the act be changed so that the holding period be shortened and the tax reduced. This change, we are confident, would result in attracting venture capital to businesses and greater tax revenue to the Government. We strongly urge that the above two recommendations be brought by all individual members of our Association to the attention of their Senators and Representatives in Congress and urge their prompt action to provide tax relief of the utmost needed and at all times welcome constructive ideas.

What's Ahead for Investment Banking?

By JOHN CLIFFORD FOLGER*
Retiring President, Investment Bankers Association of America

Three months ago we thought we saw the fair hand of opportunity beckoning us to blissful heights. With the termination of controls, restrictions and exactions consequent on the cessation of combat, we felt like joining the Oklahoma Chorus and chanting "Everything's coming our way." But we soon realized that war's end has not terminated our problems. On the contrary, it has pro pounded a new series of problems and exigencies, dealing with peace and reconversion. Finance is not de-mobilizing. Rather, it moves into first position. Because we are a closely regulated business we are deeply interested in changes of Government. There we find many new faces.

"An address by Mr. Folger, who is President of Folger, Nolan, Inc., Washington, D.C., before the 34th Annual Convention of the Investment Bankers Association of America, Chicago, Ill., Nov. 28, 1945.

Twelve years ago the head of our Government, President Roose
velt, addressed a large group of bankers in the National Capital. The banking fraternity was severely taken to task for its mis-takes of the past and for its failure to bring in the right answers during the depression. It was im-plied that no two bankers could agree on anything. Therefore the Government would seek its own solutions, with or without bankers' help. The speech set a cer-tain political pattern for the relation-ship between banking and Government. It is no secret that for many years there was an undertone of hostility on the one hand and recalcitrance on the other.

Despite some assertions to the contrary, bankers are human beings. They smarted and smoldered. "It is nearly 13 years since the bank holiday. Sixteen years or nearly a generation in banking has elapsed since 1929. It's no good raking over the dead leaves of the past. Here and there throughout the ages occasional voices have spoken of bankers as being stuffy and inflexible. The banker of today and tomorrow must be constructive and coopera-tive. We have a duty towards this or any future administration. A new note is being struck."

Record Financing

Investment bankers have been busy. The volume of financing for 1945 will probably exceed $2 trillion. This is nearly double last year and up 15% from 1938, the next largest post-depression year. It is noteworthy, however, that for 1945 only about one billion, or 15%, will be new money. The balance is represented by refinancing. It is the same old story: actually very little new private money is really going into business. We are told the figure should reach 3 to 5 billion per year if we are to maintain a proper economy.

Current financing is divided—2% bonds, 12% preferreds, and 6% common stocks. As in recent years, senior securities still rep-reSENT almost 95% of the total. It has been Government money pumped into the pipeline that has kept things moving.

Studying the disposition of fin-an-cing we find 46% going into industrials, 31% into utilities, while the once lowly rail reached 26% of the total.

All of this adds up to a year of relatively large volume but with exceedingly low spreads, the lowest in history. We are still mainly occupied with reducing in-terest rates on outstanding bonds. There has been an accent on rail financing but the much talked of flow of private capital into business remains a trickle in all lines.

Principal excitement has centered around the stock market. There values are up 27% since January 1 of this year. This is no new money into business. It is a flight of capital from cash into equities.

Inflation

The outstanding problem in domes-tic finance is inflation. Per 15 years we have cried, "Wolf, wolf,—half thinking the wolf would never come. The plain fact is: Inflation, is here. Indeed, it has been here for some time. The first sign are painless, even pleasant. Stock market quotations afford perplexed reading. Bankers watch their mounting deposits with a glow of pride, forgetting their competitors across the street who have enjoyed the same growth. By the end of next year and before the Gover-nment debt can reach its peak, we shall likely have aggregate deposits of 100 to 200 billions in our banks compared with 59 billions in 1929.

Everyone is so busy grinding his own axe and explaining his own

(Continued on page 2706)
Government Looks to Investment Bankers

By JOHN W. SNYDER+
Director of War Mobilization and Reconversion


I believe that we can agree that the main purpose of devoting time to the study of history is to find a guide to the future. This approach has a particular significance to investment bankers at this time. We find ourselves, at the conclusion of this great war, facing a number of situations and confronted by many of the problems that existed after World War I.

It is often said that history has a way of repeating itself, but fortunately that does not always have to be true.

When I recall the turbulent days through which we passed in the two decades following the first war, I am impelled to pray for

*An address by Mr. Snyder before The Investment Bankers Association of America, Chicago, Ill., Nov. 27, 1945.

Eventually that we shall see no repetition of those times. That we shall see neither the boundless optimism that was shattered in 1929, nor the bottomless despair of the early 30's. I believe that it is beneficial for us to admit that in those years we ignored the danger signals which past experience should have taught us to observe. We took a national joy ride—zooming merrily up a beautifully paved road in high gear with the cutout wide open. But when we reached the top of the hill and the inevitable downward course, we encountered an alarming and frightening fact.

Our brakes would not work. As we look back we can see that the age-old highway signs and markers were all there. We just traveled too fast to give them proper attention, if, in fact, we saw them at all in our headlong dash.

Those that we did see, we discounted with casual superiority and the disdainful comment that they were put up in a horse-and-buggy era and were no longer applicable.

We greeted with tolerant amusement the suggestion that anything could slow this powerful new machine in our hands. It was a new machine. But it was the same old hill.

Nothing is gained by indulging in recriminations or in attempting to lay the blame at this door or at that door. But self-appraisal is a commendable trait and this is a good time to indulge in it. (Incidentally, in this connection, I would like to recommend for your attention a recent speech made by Walter Lippman before the Association of National Advertisers in New York.)

I believe that the investment bankers of this country, as well as the commercial bankers, and the merchants and industrialists—in fact, all of us, have, from our study of those earlier years, assimilated the lessons they contain. We have walked over the road and identified the old warning signals—and erected a few new ones.

I am confident that you and I are determined to watch for those signposts and to pay heed to them. Should we fail or neglect to do so, and a repetition of 1929 and 1930 would result, I fear that investment banking, as we now know it, would cease to exist.

The greatest safeguard is self-policing. It entails the establishment of standards that will endure, and adherence to those standards. It will require cautious endeavor to escape the pitfalls of your path. I think that you, like any good merchant, will not succumb to the Plague of Lurkers—of the quality of the goods you sell, for the sake of a greater turnover and quicker profits—which in the end prove not to be profits, but losses.

Of course you will compete in obtaining business, but not out of a desire to show the greatest volume of sales, rather with the aim of marketing the best securities at the fairest prices.

The Future Role of Investment Bankers

It is an obvious fact that the investment bankers of this country will play a vital and most important role in the years which lie ahead.

You are a necessary element in gaining the full fruition of our economic hopes. Simply stated—you are highly important, if our economic system is to endure. The opportunity that lies before the investment bankers today is the greatest in the history of our nation. Investment banking will be of outstanding importance in the financing of new industry, in aiding our economic growth and in meeting the responsibilities of participation in international progress. We will need to expand to provide the jobs, the income and the purchasing power without which we cannot hope to maintain or enhance our living standards.

Of late, your volume of business has been substantial, but it has been mainly a question of refunding—the replacement of higher yielding securities by lower ones.

You have helped to make available the easier rates made possible by an unprecedented abundance of savings in which the wise course of the Treasury has been a prime factor.

To keep pace with the demands of our times, it is entirely possible that our corporate business structures will require as much new money in one postwar year as was put into capital assets in approximately five years before the war. This would mean new corporate financing in our country at a rate of some three to four half billion dollars a year. Recently, the increase has been in the neighborhood of six hundred million dollars in a year. These vast sums will be needed for the construction of new and more efficient factories, for the expansion of business, and for the building of new homes.

The need of industry for new corporate financing is accomplished by a need on the part of the public for sound investment opportunities. There is more money available for investment today than ever before. Liquid assets are in the hands of individuals....

(Continued on page 2764)
Saltonstall Forecasts Government Actions

Senator Leverett Saltonstall, speaking at the luncheon at the Investment Bankers Corporation in Chicago on Nov. 27, told his audience "the interest of the investment banker in the future of our country is the same as that of every individual, namely, a good home in a good community which he can raise his children and send them to good schools. He wants to save. He wants an easier old age. He will work hard. This means production and good times. Good times bring savings. Savings bring venture capital. Venture capital is what made America produce new inventions. New inventions created the tools that made America the industrial and agricultural giant of the world with the highest standard of living ever known. You who are investment bankers have much to do with the past. Unless we have a future built upon the same foundations and continue to go ahead with new inventions and new methods of production by which our people can secure work, our country will stand still and there will be no business for you investment bankers."

He further stated that he believed that what the Convention expected to hear from him was what his members might expect from their Government in the next year or two. "You want to know what to expect from your Government in order to work that expectation into your plans."

No Balanced Budget Until 1948

"One thing you surely will get from your Government," he continued, "is taxes. Today the country has a three hundred billion dollar debt. Even though we provide for no reduction in that debt, we must service it. There probably will be no balanced budget until the 1948 fiscal year at the very earliest and then at a figure of twenty-five billions or more than that. Until balance is achieved, deficit financing must be continued. The recent tax bill, which we can learn, might possibly balance the budget a few years hence, this without any debt retirement. But I ask you two questions: First, is it in anyone's interest to cut tax receipts substantially until the budget is balanced and the debt reduced? Second, isn't it wise to cut taxes and then be forced later on to put them back than to keep them at a higher level until the debt is balanced?"

He then went on to say that "they could expect a strong Army, Navy and Air Force, and stated that what is finally decided depends on (1) the needs for our own security, (2) the needs of the United Nations Security Council, (3) the size of our National Guard, and (4) possibly the outcome of the debate on universal military training and the unified command measures."

He discussed veterans' benefits and stated, "Everyone expects and wants the veteran to be properly treated, to be hospitalized where he needs it, to receive the benefits of his interrupted education and sufficient loans with proper security in order to start. All these benefits will cost more, rather than less."

Government Regulations to Continue

He discussed briefly Government regulations and restrictions and stated that there would be more than before the war. But added that controls that are no longer necessary should be dropped as rapidly as possible.

This, he felt, was the attitude of Congress.

Further said that social security was here to stay and would. Old age, unemployment, compensation, an increase in the number of hospitals, and possibly new benefits such as health insurance would increase the costs of social security. But he emphasized that the foundation of social security rested on the integrity of government and government must not promise more benefits than it could afford to pay. Such promises, incapable of being kept, were the surest way to lack of confidence in our form of government.

He continued, "Another tendency of government is the effort on the part of some to use the industries built at the taxpayers' expense to make regional changes in our system of production. This affects particularly the North Star section of the country. Government should have the attitude of Congress."

(Continued on page 2723)

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<tr>
<td>Armstrong Cork Company</td>
<td>National Biscuit Company</td>
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<tr>
<td>The Atlantic Refining Company</td>
<td>Norfolk and Western Railway Co.</td>
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<tr>
<td>The Chase National Bank</td>
<td>The North American Company</td>
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<tr>
<td>The Chesapeake and Ohio Railway Co</td>
<td>Phelps Dodge Corporation</td>
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<tr>
<td>Consolidated Edison Co. of N.Y., Inc.</td>
<td>Philadelphia Electric Company</td>
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<tr>
<td>The Du Pont Company</td>
<td>Philadelphia Corporation</td>
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<td>E. I. duPont de Nemours &amp; Company</td>
<td>Pittsburg &amp; Lake Erie R.R.</td>
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<tr>
<td>Eastman Kodak Company</td>
<td>Reading Company</td>
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<td>The Standard Oil Co. (Ohio)</td>
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<td>Great Atlantic &amp; Pacific Tea Co.</td>
<td>The Superheater Company</td>
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<td>Great Northern Railway Company</td>
<td>Swift &amp; Company</td>
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<td>Hercules Powder Company</td>
<td>Swift International</td>
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<td>The Hoover Company</td>
<td>The Timken-Detroit Axle Company</td>
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<td>Kennecott Copper Corporation</td>
<td>The Youngstown Sheet &amp; Tube Company</td>
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<tr>
<td>Lipton &amp; Myers Tobacco Company</td>
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CHICAGO
Industrial Securities Committee Concerned Over Control of Aviation Issues

In prefacing its report to the 34th Convention of the IBA, the Industrial Securities Committee of which Robert McLean Stewart is Chairman, called attention to proposals in Congress to place the control of air line securities under the jurisdiction of the Civil Aeronautics Board and to require compulsory competitive bidding. The Committee urged that appropriate arrangements be made to ensure that the views of the investment banking business be effectively presented. The full text of the Committee's report, which covers present problems of industrial finance, follows:

In September, the headquarters office of the Committee referred to your Committee a request relating to the Interstate and Foreign Commerce of the House of Representatives for an expression of the views of the Investment Bankers Association in connection with the "Postwar Transportation Survey" which has been undertaken by the Congressional body.

Your Committee was requested to deal with the subject in its report from the standpoint of its relation to civilian air transportation. We have, accordingly, examined the documents received by the Association from the Subcommittee on Transportation of the Committee on Interstate and Foreign Commerce and we have given consideration to the many questions which have been raised concerning this matter.

In the opinion of your Committee there is no occasion for the presentation by the Investment Bankers Association of a reply dealing with these questions in detail. It is, however, the view of your Committee that the Association should affirm its belief in certain principles which, in our judgment, provide a sound foundation for the structure of Federal regulation of civil aviation, as follows:

(1) The existence of military air power is chiefly dependent on the aviation industry and on the air-mindedness of the civil population. It is essential that a strong healthy, and independent civilian aviation industry shall continue in being, not only to serve the peace-time needs of the nation, but to serve as a basis for our air power in the event of another war or grave emergency.

(2) In 1938, the Congress, through the Civil Aeronautics Act, created a quasi-judicial regulatory authority for civil aviation and gave this authority a large measure of independence from political interference and executive control. The Civil Aeronautics Board, as established under that Act, should be continued as the body having regulatory jurisdiction over commercial air transportation and civil aviation generally. The independence of the Civil Aeronautics Board should be fully maintained, and the Board should be given the judicial role which the technical knowledge and experience essential to the proper discharge of their responsibilities.

(3) In general, the 1938 Act operates satisfactorily and is sound in principle. Such changes as may be necessary in this Act should be worked out in conferences between the Congressional committees having jurisdiction and representatives of the civilian aviation industry. The Civil Aeronautics Board and the War and Navy Departments in accordance with the procedures followed in dealing with the proposed amending Act of 1943 (the Lea Bill).

(4) The air transport industry has been soundly financed by the banks and the League of Nations and almost wholly by the sale of equity securities. The air lines have experienced no difficulty in obtaining needed capital and revenue have arisen from such sources suitable for legislative action or for further regulation in the future. We note that a proposal has been made to Congress that the Civil Aeronautics Board be given authority to control the issuance and sale of securities by air transportation companies, including authority to require compulsory competitive bidding. But even if such a proposal is made, it should be left to the judgment of the Civil Aeronautics Board which now has all the regulatory authority it needs to accomplish its proper purposes. When they sell securities to the public, the airmen companies must register under the Securities Act. The public interest would not be bested by further regulation in this area; however, if the Congress should decide to give the Civil Aeronautics Board authority to control the issuance and sale of air line securities it would be logical at the same time to exempt the air lines from the burden of registration under the Securities Act by amending Section 3 (a) of the latter Act to include an exemption for air in Section 61 of the Securities Act to railroading operations under L. C. A. B., substantially identical to the exemption now available under Section 3 (a) (6) of the Securities Act to railroad operations under L. C. A. B.

In presenting these views to the Committee on Interstate and Foreign Commerce of the House of Representatives and to the Senate Commerce Committee this Association, through your Committee, desires to offer its support and encourage the public interest is an area of more constructive part than in the organization and development of the aviation industry in the period following World War I. We have a right to be heard when the problems of the industry are before Congress and we should not hesitate to appear and state our views.

The New Financing

It is the function of your Committee to deal with matters relating to industrial financing. The Air Lines, generally as we look over the field, it appears to us that certain recent trends and developments which merit the attention and comment. 1944 and the current years were years of activity in the investment banking business. Of what has it consisted?

In the period of four years and seven months, (Continued on page 2761)

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In its report to the 34th Annual Convention of the IBA, the Railroad Securities Committee, headed by Falmân R. Dick as Chairman, took an optimistic view of the railroad situation, but pointed out that earnings are bound to fall below the wartime levels, and that higher wage rates to employee more in the offing. Higher freight rates charged to offset these conditions are held to be essential but in view of the OPA price code and the Political Pressure of the ICC immediate or adequate rate increases may not be expected.

The text of the Committee's report for 1945 follows:

The Report of the Railroad Securities Committee for 1944 described the extensive improve- ment in railroad credit that took place in the preceding year. Improved conditions have continued at a rapid pace for at least 12 months. The Report for 1944 measured the gains by the prices of 25 issues. It would seem unnecessary to repeat this list in detail, but the extent of improvement can be illustrated by the following:

Atlantic Coast Line Unit 45½, 1946
Erie Income 4%, 2015
Illinois Cent. Ref. 4%, 1965
Northern Pacific 4½, 1945
Pero Marquette 4½, 1980
Texas & Pacific 6%, 1960

Called—replaced by 4½.
1 Called—replaced by 3%.
2 Called—replaced by 3½.
1 Called—replaced by 4½.
1 Called—replaced by 6%
2 Called—replaced by 6½

The continued improvement in credit is evident not only by the rise in the prices of bonds and the increased number of railroad bonds available to refund debt at lower interest cost, but likewise by the increased market value of stock equity of the railroads, the prices of many railroad stocks having increased 50% to 100% or more. The principal causes of the continued improvement in railroad credit outlined in the 1944 Report remain fundamentally unchanged:

(1) Level of net earnings that permits the building up of safety cushions in current assets and makes possible important reductions in debt and fixed charges.
(2) The removal of maturity dangers by anticipatory payments or refunding operations.
(3) Increasing recognition of the ability of our railroads to meet the very backbone of our domestic transportation system.

A year ago it was difficult, in fact impossible, to determine to what extent credit improvement was based on the increased recognition of that railroads are, in fact, the very backbone of our domestic transportation system. Growing confidence today, when increased truck, air, and water competition is to be faced in the immediate future would seem to be convincing evidence that this factor is a most important ingredient in the composite credit picture.

Confidence in Railroads Continues

Such a conclusion is strengthened when it is noted that confidence continues unshaken in spite of the substantial drop in traffic and in spite of the rapid rise in operating ratios that have already taken place, not to mention the possibility, if not the probability, that wages and costs in the near future increase to still higher levels. Moreover, since:

Nov. 15, 1944 Nov. 15, 1945

Price Yield Price Yield

96½ 5.25% 111 3.97%
83½ 5.41% 99 4.25%
93½ 6.07% 103 3.40
93½ 6.03% 103 3.40
99½ 5.02% 103 3.40

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It is difficult to estimate in terms of money the cost of a restoration to normal conditions, but it would seem obvious that when the troop movements are over and the private automo- biles are back on the roads passengers will no longer be crammed into cars like sardines. It would seem equally clear that when an ample supply of equip- ment is available we will no longer be possible to require a shipper to load a freight car to maximum capacity if there is a surplus of cars available and other railroads are competing for the business.

There are of course offsetting factors such as the improvement in railroad efficiency resulting from improved operations and the use of improved power and equip- ment. Likewise the restoration of normal conditions should improve the production per employee and eliminate the cost of much overtime. Nevertheless, the evidence is convincing that a freight rate increase is an absolute necessity if adequate earning power is to be maintained. The only uncertainty as to the size of the required increase is the respect are impossible without more definite knowledge as to future labor and material costs.

Estimates of future costs must await a settlement of the present wage negotiations. Barring a nego- tiated agreement, it would seem probable that a decision would not be reached before the late spring, due to the procedure and requirements of the Railroad Labor Act. In all probability, applications for higher freight rates would await such a settlement. If so, applications for higher freight rates might be expected to be initiated in early summer, in which case a decision would be ex- pected in about six months, that is, by late fall.

This tentative time schedule can of course be expedited or delayed, but will depend on the attitude of the Government with respect to the entire wage and price problem. At the time of the writing of this Report national policy would seem to be by no means clear, although the apparent determination on the part of Government to restrict prices regardless of costs is not encouraging, especially when it is realized that the level of railroad freight rates enters into the cost of every article of commerce that is transported by rail, either as a completed product or as basic materials prior to manufacture.

Judging from the past, an upward readjustment of the railroad freight rate structure to correspond with the present conditions will not be a matter of mere routine. It would be unwise thinking to expect that the Inter- state Commerce Commission would be free from the heaviest kinds of political pressures. There is no sign yet of any change in attitude on the part of the OPA or the Department of Agriculture as evidenced by the recent petition to the ICC to cancel permanently the wartime surcharge rates now suspended temporarily. The recent speech of President Truman would seem to indicate that a test period of at least six months would be required as a basis for any considerable increase in rates.

What effect a prolonged period of very poor earnings would have on credit is impossible to determine. There can be of course no credit crisis as occurred in 1913.
Urges Larger Private Holdings of Governments

Herbert N. Repp, Chairman of the IBA Committee on Government Securities submitted the following report to the Association at the Convention of the Association held in Chicago, Nov. 25-28, 1945.

The war is over, and any appraisal of our war time fiscal policies is purely of historical interest. The sale of United States Government securities to over $5,000,000 people is an accomplishment that speaks for itself. We must now vigorously turn our attention to the formulation of sound policies for the future management of a public debt approaching three hundred billion of dollars.

With skillful and competent fiscal management this debt can doubtless be serviced and eventually reduced considerably without undue disturbance to our economic system. The problem today is so great that we cannot afford to undertake short-sighted or inert experiments.

The Federal public debt today calls for an interest outlay of over five billions dollars per annum. Obviously this is a heavy interest charge, and together with other budgetary items which have been permanently increased by the war will limit the extent to which taxes can be reduced. It will be a mistake, however, to permit the consideration of the interest charges alone to so affect the whole rate structure that it will be brought to a level not in accord with sound principles of fiscal policy or be in the best interests of the entire economy of the country.

One of the most important problems is to endeavor to maintain and ultimately increase the percentage of the debt held by the non-bank investor. A permanent organization, similar in purpose to the present War Finance Committee, should be set up to aid and direct the continued sale of securities outside of the banking structure. It should function immediately so that there be no break in effort to continue the public interest. Care should be taken that the securities offered be of such maturities and rates that the Treasury may continue and even increase the investment of a considerable part of the annual savings of the public in government securities and capitalize on the habits of thrift which have resulted from the public participation in wartime finance. As an example, after the Victory Loan the continuity of the long-term rate should be confirmed by periodic offerings of bank ineligible 2½% bonds.

When the immediate costs of the war have been settled, policies leading to a rapid return to a balanced budget should be adopted, and whenever a budget surplus permits debt reduction should be made effective. At this time the most careful and strict scrutiny should be made of all requests for appropriations so that no unnecessary projects be authorized particularly as the pent-up demand for all types of goods and services gives such promise of high industrial activity and satisfactory employment. Adherence to sound principles of fiscal management is essential if the confidence of the people is to be maintained.

Much of the decline in yields during the past year has been due to the Treasury policy of limiting new issues eligible for commercial bank investment to those of very low yield; and from a practical point of view, now that the war is over, serious consideration should be given to the advisability of permitting this movement to proceed further. If unchecked, the entire rate structure could be so affected as to make unattractive the investment of the savings of the people.

The course of government post-war finance will so vitally affect the entire public welfare that the members of the Investment Bankers Association, understanding these problems, must devote special time and thought to their study. The magnitude of the debt held in such volume by banks, insurance companies and thousands of other corporations and participated in by $5,000,000 of one people demands your best thoughts and constant attention.


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Sees Enlarged Public Utility Financing

The IBA Public Service Securities Committee, under the Chairmanship of Albert T. Armitage, delivered its annual report to the 34th Convention held at Chicago. The report contained an optimistic view for enlarged public utility financing but pointed out that problems of reconverson stand and were as well as the SEC’s attitude regarding the rights of equity shareholders are still facing the industry. The text of the report follows:

The year under review by this report has witnessed the largest volume of utility financing since 1936. New issues, including debentures of the electric and gas industries reached a total of $1,145,000,000 on Nov. 15, compared to $925,000,000 for the entire year 1944 and $537,000,000 for 1943. In addition, the Bell system entered the capital markets for a sum of $435,000,000 of long term debentures. A number of additional issues are in sight before the end of the calendar year. Of the year’s total to date of $1,100,000,000 more than $1,400,000,000 was for refunding issues which in turn had previously refunded earlier issues. No long term debt was publicly offered for the expressed purpose of providing funds for new construction.

Preferred Stock Sales

The preferred stock market was proportionately active with a total of $145,000,000 compared to $127,000,000 in 1944 and $22,000,000 in 1943. Perhaps the most interesting development came in common stock financing. At the time of the report of this Committee for 1942 and 1943, it appeared that a substantial number of utility companies would pass to publicly owned authorities. We have, however, during this year seen the sale by holding companies of substantial blocks and whole issues of common stock to the public.

The basis for this enlarged volume of financing is the increased demand for public utility securities. This is most strikingly seen in the Dow-Jones average of utility common stocks, which at current levels is 370% of the low of 1942 and is slightly above the highs of 1927 and 1937. The utility bond market, which showed very little change during 1943 and 1944, advanced substantially in 1945. Moody’s Composite Average of Yields on Public Utility Bonds, which remained close to 3.00% throughout 1943 and 1944, is currently close to 2.80%. The result was a greatly accelerated refunding program which accounted for virtually all of the new issues in 1945.

Management Problems

The management problems facing companies now that the Federal tax question has been clarified for the immediate future, are much the same as those of all industry—prices, wages and reconverson. The activities of rate reduction enthusiasts have been held in check by the high taxes borne by the utilities during the war, but with the elimination of the Excess Profits Tax it would be wise to think to the supervisors of regulatory authorities will not try to translate a share of the money released by the Federal Government into lower rates.

Wage Question

As to the wage question, the problem arises from the fact that during the war the utilities carried on their operations with greatly reduced manpower and large payments for overtime. Electric utilities in 1944 paid $388 million to 201,000 employees. In 1941 they paid $376 million to 253,000 employees. It is the fashion for labor to demand the same take home pay for a reduced working week, and there is no reason to believe that the utility industry is exempt. Reconversion involves the resale to retail customers of large blocks of power used during the war by war industries. All estimates of the postwar market indicate a large volume of business in electrical appliances, which it is hoped will absorb the reduction in the use of electric current by war industry. Electric utilities, however, will have to rebuild their merchandising departments and while the rates on domestic business are higher, the cost of furnishing it are also higher. New capital requirements will largely depend on the success with which these problems are solved, and there is some ground for feeling that demand for new money will appear in sufficient volume to sustain an active new issue market as the present process of refunding runs its course. A new wave of refunding is, of course, dependent on the Government’s financing program.

Pilfer of Equity Shareholders

From the point of view of utility holding company security owners the most serious problem which the year has developed is a fair adjustment of the rights of the equity stockholders. There can be no question that the rise in utility equities has restored to them values which had been given up for lost three years ago. The desperately slow and cumbersome process of making recapitalization plans effective makes it very difficult to adjust to changing conditions. Years have gone by since the passage of the Hold¬ing Company Act and yet we are lacking judicial determination of some of the basic issues. A review of the constitutionality of the "Death Sentence" is now in prospect. Certain remarks from the bench in a recent case before the Supreme Court place in doubt the SEC’s definition of "additional system." There is confusion on whether senior securities are entitled to par or redemption price. There is confusion on the question of satisfaction of senior securities in "packages" or in cash. It is hard to see how any action of the Investment Bankers Association can make a material contribution to a speedy clarification of these issues, but it would be a tragedy if the current period of buoyant security prices were allowed to pass without seeing the holding company structure placed on a firm legal foundation.

Public Service Securities Committee—Albert T. Armitage, Chairman; William H. Brand; Frederic H. Brandt; John G. Flint; Hugh D. MacBain; Robert Mason; Nathan D. McClure; Clay H. Borry, Edward X. Van Horne; Adolphe H. Wenzel.
New Education Program Under Way

"The program of the Investment Bankers Association of America to attract young men to the investment banking business and to offer them comprehensive courses of training has been carried forward with considerable success since our last meeting," reports Julian H. Collins, Chairman of the IBA Education Committee. The report continues:

"More than 250 men have already been directed to member houses in various parts of the country as a result of interest created in large part by the distribution of our vocational booklet TOWARD CAREERS IN FINANCE, and they continue to come to us in large numbers. Nearly 200 member houses have expressed an interest in interviewing young men who come to the attention of the Association, and a sizable percentage of these firms have already employed applicants who have been sent to them by us, many of whom were recently discharged from military service.

About 5,000 copies of the booklet are still available and will be sent to members who wish to assist us in their distribution. More than 1,500 copies of our vocational booklet have been sent to colleges and universities, while various centers in the Nation have received several thousand. These sources of prospective interest are capable of broader development, and we will continue our efforts in this direction.

It is with considerable satisfaction that your Committee can now report to this Convention that the first units of our training program have graduated from the blueprint stage, and are now in the classroom.

In cooperation with the School of Commerce of Northwestern University, a carefully planned training course in Investment Banking is being offered by the Central States Group of the Association in Chicago, and our members in Los Angeles have announced the opening of a similar course on Nov. 15, which is being conducted in cooperation with the University of California.

The Chicago course opened on Nov. 14 with nine out of its full line of 50 students, registered by 32 member houses. Those who satisfactorily complete the 128-hour course will receive from the Association an appropriate Certificate of Achievement on April 16, 1946, the date on which the first course will be completed.

The classroom work will be supplemented by 12 special lectures which will be delivered by men of long experience in various fields of investment banking and banking. The topics of these lectures and discussions will include the study of various companies and banks, of investment banking and securities, and of the Association itself.

The Association is interested in the men who have agreed to conduct these classes because they are expected to be of the most important feature of the course, and because we propose to use much of this material in the development of study outlines and course manuals to be distributed to our members.

"During the past six months, the Chairman of the Committee has met with the group education committees in New York, Chicago, Philadelphia, Boston, St. Louis, Detroit, San Francisco and Los Angeles. In each community there is enthusiasm and support for this program. It is now apparent that training courses similar to the one established in Chicago, we will be opened in at least five or six other centers early in 1946.

"Member houses in smaller communities have been on the lookout for those in the larger centers. The unit roost of a training course, however, appears to make it impractical to establish a school unless at least 30 registrants can be obtained.

"To provide these members with the benefits of our training program, we plan to make available to them, a complete copy of the Association course, including transcripts of the discussion sessions. Our newly revised reading list of recommended textbooks and other materials which has been prepared during recent months should also prove helpful to many of our members. The Association should give further consideration to the sponsorship of a new textbook in investment banking as recommended in the report of this Committee last June.

"We have made a good beginning in developing a small but complete educational staff in the Association's office, but the plans of the Committee are capable of much greater expansion and development when an Educational Director is selected to administer the work which is already under way.

"The Committee feels that an Educational Director should accept as one of his important duties, the responsibility of carrying forward an extensive program of field work in colleges and universities to promote student and faculty interest in investment banking.

"We are preparing a new generation to administer the activities of our member firms in the future. The time will come when the responsibility of maintaining the high traditions of our business and of further advancing its ethical and professional standards, will rest on them.

"The Education Committee—Julian H. Collins, Chairman; Andrew M. Baird; Howard M. Biscoe, Jr.; Merle Beywer; W. T. K. Culler; Samuel K. Cunningham; Allen C. Ewing; W. Yost Fulton; Harper J. Geary; W. K. McLaughlin; Clyde S. Paul; Donald Royer; Lawrence E. Shaughnessy; Buddick Simon; R. McLean Stewart; Allen B. Tilghman; Adolph E. Welte; Leroy A. Wiltz; W. W. Wittenberg.—will continue its work.

"The Committee has received the congratulations of the Federal Reserve Board of Trade, the Commodity Exchange Inc., the New York Stock Exchange, the Chicago Board of Trade, and the American Stock Exchange and is deeply grateful for this recognition of its work," concludes Mr. Collins.

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Urges Fixed Period for Registration Statements

The Federal Legislation Committee, of which Charles S. Garland is Chairman, submitted the following brief report to the 34th Annual Convention of the IBA in Chicago:

This Committee is charged principally with three duties:

1. To keep itself informed of newly conceived or pending legislation.
2. To aid in having new legislation speedily drafted.
3. To aid in having existing legislation amended better to serve the interest of the investor and the needs of our national economy.

The past year, however, has found the Congress so concentrated upon the winning of total victory that very little time was devoted to matters dealing with our business.

New legislation was practically non-existent—the exceptions being the hearings on the Boren Bill, which is discussed more fully in the report of the Municipal Committee, and various inconclusive discussions with respect to aid to small business and the encouragement of venture capital. Sympathetic consideration toward these two matters can be detected in the recent tax bill.

One amendment to the Securities Act was gained; i.e., the increase in the exemption from $100,000 to $300,000.

Your Committee endorses, as minimum objectives, the suggested amendments as contained in the Report of the Federal Legislation Committee for last year, which are set forth in the 1944 Year Book, to which reference is made.

In addition thereto, we recommend the amendment of Section 8(a) to provide that a registration statement will be effective within a fixed period of time after the date of filing, except when an extension is requested by the registrant. This point will be developed to some extent in the Report of the Industrial Securities Committee.

Meanwhile, your Committee feels it within its proper scope to remind the membership that the liability section of the Act as well as common law are still operative and that these liabilities are increasing as markets surge forward. Our membership must not become complacent with respect to the liabilities of the Securities

Federal Legislation Committee

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Municipal Prices Attained Record Highs

The Annual Report of the Municipal Securities Committee of the IBA was submitted to the Convention on Nov. 27. Though recounting the favorable volume and prices in new municipal financing the Committee, headed by Hazen S. Arnold of Brown, Bosworth & Co., Toledo, called attention to the unsettled questions which have been over-hanging the municipal bond market. These questions included the tax status of state and municipal "Authority" issues and the powers that are claimed by the SEC under the Maloney Act over transactions involving state and municipal bonds, and to which the Boren Bill now before Congress seeks to have clarified.

The text of the Committee's report follows:

This year prices of municipal bond issues reached the all-time record high. The Bond Buyer's index of the one-year general obligation bonds of twenty large cities reflected an average yield of 1.35% as of last May. Each year starting with 1940, with the exception of 1942, a new record has been established. For review the following tabulation of such yearly highs and the time, may be of interest. They are in marked contrast to the record lows of 4.89% in May 1932.

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>December</td>
<td>2.10%</td>
</tr>
<tr>
<td>1941</td>
<td>November</td>
<td>1.90</td>
</tr>
<tr>
<td>1942</td>
<td>November</td>
<td>1.94</td>
</tr>
<tr>
<td>1943</td>
<td>November</td>
<td>1.95</td>
</tr>
<tr>
<td>1944</td>
<td>August-September</td>
<td>1.59</td>
</tr>
<tr>
<td>1945</td>
<td>May</td>
<td>1.35</td>
</tr>
</tbody>
</table>

During the twelve-month period ending Oct. 31, 1944, the amount of new issues of state and municipal securities, including those of U.S. Territories and inclusions, totaled about $1,500,000,000. A comparison of this financing, divided into long and short term, with like financing during the preceding twelve-month period ending Oct. 31, shows:

<table>
<thead>
<tr>
<th>Long-term financing</th>
<th>Short-term financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>$247,117,920</td>
<td>$473,638,393</td>
</tr>
</tbody>
</table>

These volume figures were compiled from the The Bond Buyer's Record of monthly sales.

Reconstruction Finance Corporation

On Oct. 2, the Reconstruction Finance Corporation published an announcement that it was prepared to make loans to public agencies through the purchase of their legally authorized securities. Such loans are described by the RFC in its revised Circular No. 22.

One of that Section 5a of the Reconstruction Finance Corporation Act pursuant to which these loans are to be made reads: "For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized to lend, under such terms, conditions, and restrictions as the Corporation may determine, to...

1944
1945
$260,128,087
$383,392,924
$277,360,093
$620,029,924

According to the above mentioned circular, the RFC will make these loans by purchasing the bonds or other securities issued by the borrower. It may purchase general obligation bonds, or any valid obligations that prospective borrowers may have in issue under applicable local law to obtain additional or expanded projects. The obligations shall be paid in the form of money and shall be secured in such manner as may be acceptable to the RFC.

The loans will be made for periods of time, in such amounts, at such rates of interest or discount, and under such terms, conditions, and restrictions as the RFC may determine in each instance in the light of all of the circumstances, and as authorized under state or municipal law applicable to the borrower.

Following the announcement there was widespread concern among investors in the industry as to whether the RFC might be contemplating entering the field of state and municipal municipal security financing in a way that would replace competition with private industry.

We inquired of Mr. Charles B. Henderson, Chairman of the Board of the RFC, as to the policy of that Corporation with respect to the making of such loans. He advised us that "Any fear or concern on the part of municipal bond dealers that we (the RFC) are now about to start upon a policy of competing with, or encroaching upon private enterprise is groundless."

The full text of Mr. Henderson's letter dated Oct. 26, follows:

"I have your letter of Oct. 15 to me in regard to the announcement by this Corporation to public agencies...

which loans are described in our former and present circulars. We refer you to them."

"In our announcement to the press on Oct. 2 that loans are available under the RFC to public agencies to aid in financing public construction projects, it was pointed out, what was omitted, that such loans have been authorized, for accounts, that such loans have been available from RFC for years, both before and during the War. Such loans constitute no new operation by this Corporation and no expansion of our sphere of endeavor, but a re-affirmation of the desire to place that provided by municipal bond dealers."

In our announcement, this Corporation does not now desire or plan to compete with private lenders to municipalities. We do not wish to provide assistance where we know that a private bond dealer or a group of them will provide it. That has been our actual experience and established policy for many years in which we have been making aid available for municipal projects, and we plan no change from such established experience or policy. Any fear or concern that municipal bond dealers that we are now making available that we are competing with, on encroaching upon the private enterprise is groundless.

"As you know, there are many thousands of places and municipalities engaged in the construction of public facilities where we have no desire to make needed loans, which we can make on a sound bank, and thus make possible the carrying out of needed and desirable municipal projects. Such situations mainly occur in marginal projects where we anticipate only future revenue only slightly exceeds current costs, and where, bond dealers will not buy bonds before a project is completed and in operation. Such loans, which can be made by us a sound basis and do not displace private financing facilities, and we are authorized by law to continue to make available such assistance to public agencies in order to aid the construction of necessary and useful public projects.

"I shall be pleased to furnish you with any additional information you would like from this concerning our policy with regard to municipalities."
During the hearings last Feb-
uary before the U. S. Senate
Committee on Banking and
CURRENCY, "bills, securities and
The SEC's report dated March 30,
1943, expressed the view that it was
indeed necessary, as a matter of public
policy, to prevent the resumption of
security manipulation by direct
and indirect methods, and to
prevent the use of public
security manipulations for
 useMemo

...
Municipal Prices Attained Record Highs

(Continued from page 2733)

This position was supported by Mr. Joseph Clark speaking on behalf of the Municipal Finance Officers Association. Mr. Parcell indicated any intention or claim of authority on the part of the Commission to regulate directly the financial operations of these public agencies, so that the entire discussion turned upon whatever regulation of the secondary market in State and municipal bonds is provided by the States and the municipalities. The representatives of these public agencies asserted that it did affect them most adversely, in which position they were supported by the representatives of the investment bankers. The Commission seems to be of the contrary opinion.

"All parties condemned fraudulent transactions, whether they occurred with reference to State and municipal securities or with reference to corporate securities. All agreed that the Commission had power to prosecute those who commit frauds in the sale of securities, both public and private.

"The Commission, however, evidently feels that this power is not sufficient, because several members of the Commission and its staff presented for discussion proposed rules which would require compliance on the part of purchasers and sellers of State and municipal bonds, regardless of the fact that the transaction might be perfectly legitimate.

"The Commission's point of view is that fraud should be prevented. No one would object to that, provided it could be accomplished without doing more damage to the community by restricting the many legitimate transactions than is caused by the fraudulent ones. It seemed to me that this was the principal difference between the Commission and its staff and all other present at the conference. Both sides, in my opinion, are perfectly sincere, but I am equally of the opinion that the difference between them is irreconcilable.

"We are really confronted with two irreconcilable concepts of government. The Commission apparently adheres to the school of thought that all citizens should be required to conduct their affairs in conformity with rules, whereas the representatives of the States and municipalities and of the investment bankers adhere to the philosophy that acts detrimental to the community should be declared unlawful and punished, but that in all other respects the citizen should be free to conduct his own affairs in his own way. The first system might be likened to requiring all citizens to give bond.

(Continued on page 2735)
Municipal Prices Attained Record Highs

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- Adler & Co., A.-G., Bankers, Zurich (Switzerland)

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Municipal Prices Attained Record Highs

(Continued from page 2735) is not the panic scene of '29, and that the power of prosecution, which is now vested in the Commission and which will remain vested in it if the Boren Bill is enacted, is an adequate means for the checking of fraudulent transactions in public securities.

"On behalf of the States and municipalities I wish to say that the conference merely confirmed my belief of the necessity for the enactment of the Boren Bill."

The Municipal Finance Officers' Association of the United States and Canada, an organization consisting of 1900 public finance officers representing municipalities of forty-eight states, was represented at the conference by Joseph F. Clark, City Treasurer of Wildwood, New Jersey, and Mr. Earl E. Hagerman, Director of the Finance of Dayton, Ohio, a past president of that Association, in its report of the meeting, approved by its Executive Board, many pertinent factors are pointed out. Among them:

"Are all future bond issues as well as all presently outstanding municipal debts to be subjected to direct or indirect finger¬ ing by a Federal commission?"

"We are of the opinion, after studying all aspects leading from the Commission's proposal that if control of any kind is started in the secondary market in municipal securities then all municipalities, their subdivisions or agencies, as well as states and counties will have to pay the price of higher interest rates on primary financing because it is axiomatic that the secondary market vitally affects the primary market. The corollary of that is, of course, higher taxes.

"Local government has the fear that any step toward control of any phase of municipal security dealings through the machinery of any Federal commission, will simply be an entering wedge for future and probably other stricter controls of other segments of fiscal operations of local government."

"Municipal government officials have no wish whatever to find themselves in any court contest to determine legislative intent as to where Federal control starts and where the fiscal affairs of local government."

"All newly issued debt, as well as subsequent purchases and sales, should move in a free and unhampered market. This is another phase of the difficulties our municipalities may expect if protective legislation is not forthcoming."

"We feel that the conference in Philadelphia may have modified the intentions of the Commission in some degree, but we also believe that the cure for the whole question lies with Congress and the enactment of definite legislation favorable to municipalities in the United States."

There is no question as to the power of the SEC to prosecute fraud or a fraudulent transaction in state and municipal securities, as well as transactions in other securities, under either the Securities Act of 1933 or the Securities Exchange Act of 1934. There has been no suggestion that that power be changed in any way whatever. Dealers in "exempted securities" are now, and upon enactment of either H. R. 693 or H. R. 3129 would continue to be, subject to civil and criminal liabilities for a fraudulent transaction. The SEC has 60 days to prosecute a violation of the law.

The power to prosecute fraud of fraudulent transactions is not de¬ nied upon the SEC to proceed by criminal action if it deems such a fine fraud by rules or regulations nor does it justify the SEC regulating directly or indirectly, the facilities or markets for state and municipal securities, or diluting the manner of transact¬ ing business in such securities.

In our opinion the conference with the SEC resulted in nothing that would in any way modify the need for the enactment of the principle of the Boren Bill.


Report of the Municipal Securities Committee—Appendix 1

Court Decisions

As stated in SEC report, reference will be made in this appendix only to such of the court decisions handed down the year that are considered of general interest to the municipal security finance or trade of or special significance locally. The following references concerning these decisions are based upon the Committee's understanding are intended for reference purposes only. Counsel should be consulted in each instance for specific information or advice.

Lousiana

It will be recalled that the decision of the U. S. District Court for the Western District of Louisiana, in the Evangeline Parish School Board case involving a recall, prior to maturity, of bonds always considered non-callable, was favorable to bondholders. We reported this decision quite fully in our interim Report of last year, and the School Board had appealed the decision to the U. S. Circuit Court of Appeals.

The time of writing this report the case is still pending in that court.

Michigan

Callahan vs. City of Berkley, Michigan, 794, involving the assessment general obligation bonds issued by the former Village of Berkley, a home rule village. The Supreme Court of Michigan held that a 1925 amendment to the village home rule act "excluded special assessment bonds from inclusion in the debt limitation" even though the bonds carry the contingent general obligation of the village. About two years ago the same court handed down an important decision in this case and upheld the right of the city to issue special bonds, claiming that special assessment bonds and tax an¬ nual notes of Berkley, under consideration, are valid general obligations of the city and are not subject to debt limitations. Later on, an appeal was made to the court for clarification of its decision in certain respects. The above decision was accordingly rendered in response to that appeal.

In Council of Village of Allen Park vs. Allen Park Village Clerk, 309 Mich. 301, the court held that the village home rule act which provides that no village shall "authorize any issue of bonds except special assessment bonds . . . un¬ less authorized by a majority of the electors voting thereon" did not require an electoral vote on a referendum. The issue is carrying the contingent general obligation of the village.

Ohio

The U. S. Circuit Court of Appeals, Sixth Circuit, in a decision handed down February 26, 1945, held that the bondholders were entitled to preventive of the Village of Bolon, Ohio, from taking its Gallagher Act refunding plan under the Federal Municipal Banks Act. The court further charged the City for having the cost with the court as a penalty for delay¬ ing the proceedings. The U. S. Su¬ preme Court refused to review this decision.

On June 6, 1945, the Supreme
Court of Ohio in a 5 to 2 decision ruled that the real and personal properties of the transit system of the City of Cleveland are subject to taxation by the state, county, city and school district. The court held that such transportation is not a governmental function, and that the city’s transit system “is engaged in a private competitive business for profit, and while such property is publicly owned, it is not used exclusively for a public purpose.” The court also pointed out that “Public property used exclusively for any public purpose is exempt from taxation for two reasons: (1) it is purchased and maintained by public money derived from taxation and (2) the product of the expenditure of tax money should not be made subject to another tax. The property here in question was not purchased with public money. The city is in no way liable for the payment of the mortgage revenue bonds or for the maintenance of the property. If the operation of the transit system prove to be a losing venture the only recourse of the bondholders would be to sell the property and stand any resultant loss.” The court denied an appeal for a rehearing of the case.

The above decision is the outgrowth of an appeal from a decision of the State Board of Tax Appeals in which it held the Cleveland transit system exempt from such taxes. Following the decision of the Supreme Court, the State Department of Taxation instructed the County Auditors to prepare a list of all municipally owned utilities.

Consideration is being given to legislative action and/or constitutional amendment for the purpose of establishing the tax exemption of such properties in the future.

**Texas**

Previous reports advised of developments in the case of Annie Norton, Trustee, vs. Tom Green County, Texas involving the call of county bonds which were directly affected by the Cochran County decision. The conclusions of the courts, apparently governed by the Cochran County decision, have been adverse to the bondholder. An application was made to the U.S. Supreme Court for a review of the case. It was declined by that court on May 21, 1945.

The Tom Green County case pertains only to original bonds, and in the opinion of attorneys does not settle the status of refunding bonds of issues authorized under the controverted statutes. Suit is now pending (The State National Bank of El Paso vs. Tarrant County) in the District Court of Tarrant County, Texas, 7th Judicial District, against Tarrant County in connection with the call for refunding purposes of a bond issue of that county. There is another suit, likewise previously reported (St. Paul Fire and Marine Insurance Company vs. Garza County, Texas) involving the call for refunding purposes of County House and Jail bonds of Garza County.

Another litigation, previously reported, growing out of the Cochran decision is with respect to Potter County (Gavin vs. Potter County, 105 S. W. 2nd Series). This is in regard to the call of Hospital Refunding Bonds of the county not issued under the statute directly affected by the Cochran decision, but where the county attempted redemption in like manner. The suit was originally brought in the District Court of Potter County, which held the bonds to be callable. Upon appeal, the Court of Civil Appeals reversed the decision of the lower court. The county then appealed to the Supreme Court of Texas which declined to review the case, thus upholding the contention that the bonds are not callable.

**State Legislation**

The Legislatures of 44 of the states were in session during the year. Referred to below are some of the enactments affecting municipal financing, considered of general interest to the municipal trade or of special significance locally. The comments are based (Continued on page 2738)

<table>
<thead>
<tr>
<th>IBA PAST PRESIDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-21 saf 1916-19</td>
</tr>
<tr>
<td>Roy C. Osgood</td>
</tr>
<tr>
<td>Lewis B. Franklin</td>
</tr>
</tbody>
</table>

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Municipal Prices Attained Record Highs

(Continued from page 2377) upon the Committee's understanding of the legislation, for complete information, reference should be made to the full text of the measures.

Connecticut

The law governing the investment of funds of Savings Banks in Connecticut was changed through the enactment of Public Act No. 329, which became effective June 20, 1945. Among the important changes is the provision that a fixed percentage of the assets may be invested in the bonds of any state in the United States that has not defaulted within the preceding five years on any portion of principal or interest of any obligation issued by the state since January 1, 1890. Under the old law a default by the state within 20 years disqualified the bonds of such state and a default by the state within 15 years disqualified bonds of cities within the state. The requirements for no default by cities has been set under the new law at 5 years without reference to state defaults.

The debt limits for bonds of cities in states other than Connecticut have been increased from 8% of the "net debt," as defined in the law. There must now be included in this 9% limit all overlapping debt as defined in the law, if the city's proportionate share of county and town debt.

COOPERATION ON NEW ISSUES

Dealers in touch with corporations contemplating new financing are offered our assistance in formulating plans.

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water works systems, gas systems, electric light systems, express or parcel post systems, airports, bridges, tunnels, ferries or other public utility services, of the province, and of any combination of these. The only restriction is that the issuing unit be obligated to maintain rates sufficient for operating expenses, maintenance and debt service, and that a sufficient amount of revenues be pledged for the payment of principal and interest on the bonds. There is no requirement for actual record of performance. Besides covering bonds secured solely by revenues, the paragraph also provides for eligibility of general obligation bonds which are additionally secured by pledged revenues.

In general, the result of the new legislation is to make practically all state and municipal general obligation and revenue bonds eligible, if they are not in default, except counties under 20,000, cities, etc. under 5,000 and special districts, other than school districts.

New York

In New York the Local Finance Law which became effective Sept. 1, 1945, replaces all existing laws in the General Acts of Special Charters for the issue and sale of bonds by cities, counties, school districts, hospital districts, fire and other districts in the state. This definition includes direct liabilities by the state to the Act recites: "This bill is not intended to be the exclusive law on the contracting of indebtedness by the municipalities, school districts, hospital districts, etc. for cities, towns, townships, boroughs, villages and school districts, not exceeding $5,000. For purposes of the principal, change is that the limitation on indebtedness has been entirely eliminated, leaving the default and population requirements the sole conditions for eligibility. As before, general obligations of special districts, other than school districts, are not covered by any provision of the law, except as described in the next paragraph.

A new paragraph has been added to the law, to cover revenue bonds. While very detailed as to its definitions, this provision is very broad in its scope, and covers bonds secured by the revenues of R. 693. The Legislature also cre-
Additionally, the Legislature specified that the law relating to the purchase of municipal bonds by state banks, particularly revenue bonds. Such purchases must comply with regulations promulgated by the Superintendent of Banks and the Banking Advisory Board of the State. The regulations were formulated by the banks after conferring with state bodies, bank officers, and various municipal dealers. These provisions may be found in Regulation IV-A—Revenue Bonds, issued by the Division of Banks of the State of Ohio. The specifications are too lengthy to list here, but copy of the regulation may be had from the office of the Superintendent of Banks of the State of Ohio. Each bank is required to keep in its files supporting information and data which will enable examiners to determine that the obligations purchased meet the requirements specified.

Bank investments in direct obligations of municipalities outside of Ohio were formerly limited to those of municipalities with a net debt of not exceeding 16% of assessed valuation. This debt limitation has now been eliminated. Other requirements as to minimum portfolio, default, etc., remain unchanged.

**Ohio**

The Ohio Legislature during the early part of the year enacted numerous statutes authorizing the purchase of shares of other bonds for self-liquidating projects various of the state institutions. Provision was also made by Senate Bill No. 163 for the founding of extending dormitory banks of such institutions. School districts, authorized to furnish accommodation, are now permitted to issue transportation equipment bonds under provisions of House Bill No. 583.

*Continued from page 2088*

**Portfolio Management in a Changing World**

The most important practical application of these principles is to maintain a balanced portfolio of investments. Only a certain proportion of a portfolio should be invested in "sensitive" or equity type of securities, with the remainder invested in securities relatively stable in price. The relatively stable part of the portfolio need not be entirely in cash, governments, municipals, or high grade bonds and preferred stocks, but should be in securities that have much more moderate price fluctuations in price than equity type securities. A balanced portfolio maintained over a period of years reduces risk, gives flexibility to meet changing conditions, and provides insurance against unfavorable events. It leaves the individual owning the funds in a more relaxed frame of mind and encourages a more deliberate management of the portfolio by the investment manager. Successful portfolio management in a changing world demands a considerable variation in the proportion of equity type securities with changes in the broad long-range outlook. Such changes should be within certain pre-determined maximum and minimum limits. These limits depend upon the requirements of the individual owning the funds and upon the general point of view, temperament and approach of the investment manager. It seems desirable that a maximum position should not exceed two-thirds to three-quarters of the total fund when the long-range outlook appears favorable, and one-quarter to one-third when it appears unfavorable. The proportion maintained in equity type securities within these limits at any given time will of course depend upon the specific outlook at that time.

Another important general application of the basic principles of portfolio management is that the investment manager must be firm in his opinion, yet flexible enough to recognize in time, changing conditions. Success is not likely to be achieved if the manager becomes too sold on a policy or if he vacillates too much in his point of view. A questioning frame of mind as to the validity of his views is a healthy state of mind. He should always be in process of reviewing and reappraising possibilities, yet maintaining the degree of firmness necessary to insure continuity of approach and policy. On the one hand

(Continued on page 2746)

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Portfolio Management in a Changing World

(Continued from page 2739) hand, he should not attempt to look ahead too far into the future because of the impossibility of judging conditions that may prevail several years hence, while on the other hand it is essential to judge conditions for enough ahead to instate that a broad perspective is maintained. The investment manager should have an opinion regarding prospects beyond say one year; but that opinion should not be regarded with too much confidence.

Diversification of a portfolio is important, but diversification for its own sake to the detriment of other considerations does not have merit. Diversification should not be a substitute for judgment. Too great diversification means improper dispersion of effort and perhaps opportunities overlooked or disregarded. Between 20 and 30 equity type securities seem sufficient in the average portfolio. This should satisfy the need for diversification and afford ample opportunity for favorable selections of individual securities.

The selection of individual securities can only be confined to "Blue Chips" or names that have become familiar in every day life. Equities of medium or small sized concerns, with greater than average price movements for the future have an important place in portfolio management. Inclusion of such securities enhances the prospects of capital gains over a period of years and counters to some extent the mistakes that will occur in the choice and timing of investments made in equities that do not possess growth characteristics. Furthermore, it is a part of portfolio management to invest in speculative equities whenever prospective capital gains appear great enough to offset very substantially the larger element of risk, particularly during periods, during which factors are favorable and many speculative products become "spectable" in the eyes of many investors. In portfolio management patience is of great importance.

Many more mistakes have been made because of lack of patience than because of too much patience. Time is an important element in holding equity type securities, both from the point of view of accumulation of income and from the point of view of capital gains. Patience is also required when important changes in policy. The successful portfolio manager assumes that he will never be able to change his fundamental policy near the tops or the bottoms in the market. The ideal is to make such changes early, even though much patience may be required before events bear him out. Yet it is important that a fundamental shift in policy does not take place too early that important opportunities are lost. Therefore, portfolio management should be a process of a gradual shift in "risk" securities with changes in the outlook and in the level of security prices.

This is merely another application of the principle of insurance and the weighing of risks in investment management. To recapitulate, certain general applications are made to portfolio management and principles of portfolio management should include:

1. Maintenance of a balanced portfolio to include only a certain proportion of "risk" securities.
2. Changes in the proportion of equity type securities within predetermined maximum and minimum limits.
3. Maintenance of a flexible point of view to recognize changing conditions.
4. Judging conditions far enough ahead to allow for the implication of a consistent and broad policy.
5. Diversification of investments but not diversification for its own sake alone.
6. Investments in young and growing concerns as well as well known concerns in speculative categories when warranted.

7. Sufficient patience to allow expected developments to come to fruition or at least to afford a test for one's judgment.
8. Making major policy shifts early but not too early, and making them by degrees.

Specific Application of Investment Principles to the Present Situation

I am not dealing with all the detailed facts and methods which are the tools used by the investment manager. His problem in determining policy is twofold. He has to obtain and put together in the most helpful manner the facts he considers relevant in determining the most likely future developments and in comparing present conditions with the past. He then has to arrive at a conclusion, based upon judgment, as to the net impact in the securities market of the various factors or trends which appear to dominate. He has to weigh their relative importance and to determine if and in what effect likely to accrue from their combined action. It is of course makes it difficult to arrive at accurate and dependable conclusions and gives a very wide opportunity for disagreement among experts. The outlook is generally dominated by a few overshadowing factors which will determine the character of the broad developments ahead. The real problem is to determine the factors and to judge their combined effect on security prices.

Without going into the details as to the outlook at the present time, which is not the purpose of this article, it is my opinion that the fundamental trend of stock prices is still up even though on a historical basis stock prices are relatively high. The major factors dominating stock prices at present are likely to continue to be a condition of low interest rates. In the short run, say for at least another year. I also hold the opinion that interest rates will continue to stay lower than they are at the present time.

In my judgment, therefore, a portfolio manager should continue to maintain a substantial propor
tion of funds in equity type securities, but this proportion should be somewhat lower than during the last three years because of the high level of stock prices. The high level of stock prices has been made possible by a number of factors and in fact, that long term rates may even go lower than they are at the present time. The outlook is generally dominated by a few overshadowing factors which will determine the character of the broad developments ahead. The real problem is to determine the factors and to judge their combined effect on security prices.

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which are the most attractive available securities for the purpose. The relatively stable securities include one convertible bond with well-defined downside price risk and potential capital gain of considerable magnitude; one guaranteed railroad stock where potential developments should tend to preserve stability; and three good to high grade preferred stocks, including one convertible preferred with capital gain potential.

The next group of securities which carry more risk but still should be more stable in price than common stocks, include several securities in which special developments could result in capital gain.

The common stock list has been selected to give a reasonable balance between high grade well-known companies, medium sized companies with better than average growth possibilities, and speculative stocks. These stocks should give a better than average price performance as a group over a period of time. Approximately one-half belongs to the category of good quality to “Blue Chips,” about one-quarter to the category of long term growth situations, and another quarter are stocks with speculative appeal. Many other categories can be selected to give the overall results and individual portfolio managers would undoubtedly come to somewhat different selection.

The current income from this portfolio is low. It reflects the high prices of securities in today’s market. On the other hand many of the companies are expected to increase their dividends during the next two years.

The yield by groups follow: Stable securities 2.5% Relatively stable securities 3.3% Securities with some price risk 3.8% Common stocks 2.9%

Overall yield 3.0%

It is an interesting commentary upon current conditions that if common stocks are selected with a promising outlook, the overall yield is 9.2%, or at least only a little more than 3%. Also, that it is no longer possible to include preferred stocks and bonds in “sweeter” much the overall income from the portfolio without incurring risks that appear excessive.

The yield from this portfolio can be increased by purposely selecting high yielding common stocks. Except in individual cases.

**SUGGESTED INVESTMENT PORTFOLIO**

<table>
<thead>
<tr>
<th>Securities Other Than Common Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>Stable Securities:</td>
</tr>
<tr>
<td>$25,000 U. S. 5½%, 1967-1972........</td>
</tr>
<tr>
<td>Yield:</td>
</tr>
<tr>
<td>Relatively Stable Securities:</td>
</tr>
<tr>
<td>$2,000 Penn Central Airlines conv. 3½%, 1960</td>
</tr>
<tr>
<td>No. Shares</td>
</tr>
<tr>
<td>10 Car. Clinchfield &amp; Ohio stock</td>
</tr>
<tr>
<td>25 Commercial Credit conv. 2.80 pfd</td>
</tr>
<tr>
<td>10 A. N. Power &amp; Light 3.90 pfd</td>
</tr>
<tr>
<td>10 Tide Water Assoc. Oil 3.75 pfd</td>
</tr>
<tr>
<td>Yield</td>
</tr>
</tbody>
</table>

| Securities With Some Price Risk: |
| 25 American Lighting & Light 6% pfd | 101 | $2,523 | 100 |
| 20 Armour & Co. 6% prior preferred | 125 | 2,500 | 100 |
| 50 Aviation Corp. conv. 2.55 pfd | 56 | 2,930 | 112 |
| 20 Blue Ridge 6% preferred | 50 | 2,232 | 120 |
| 20 Commonwealth & Southern 6% pfd | 124 | 2,480 | 100 |
| 30 El Bond & Share 4.30 preferred | 73 | 2,190 | 136 |
| Yield | | | | $14,730 | $578 |
| Total | | | | $50,586 | $1,566 |
| Yield | | | | 3.1% |

**Common Stocks**

<table>
<thead>
<tr>
<th>No. Shares</th>
<th>Price</th>
<th>Value</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 American Airlines</td>
<td>85</td>
<td>$2,125</td>
<td>26</td>
</tr>
<tr>
<td>29 American Can</td>
<td>105</td>
<td>2,100</td>
<td>60</td>
</tr>
<tr>
<td>24 American Host Products</td>
<td>100</td>
<td>2,000</td>
<td>40</td>
</tr>
<tr>
<td>100 Burleson</td>
<td>18</td>
<td>1,880</td>
<td>70</td>
</tr>
<tr>
<td>30 Cuyler Corporation</td>
<td>100</td>
<td>1,280</td>
<td>40</td>
</tr>
<tr>
<td>25 Chrysler</td>
<td>125</td>
<td>2,500</td>
<td>60</td>
</tr>
<tr>
<td>40 Columbia Broadcasting “A”</td>
<td>48</td>
<td>1,920</td>
<td>72</td>
</tr>
<tr>
<td>10 Du Pont</td>
<td>40</td>
<td>1,600</td>
<td>60</td>
</tr>
<tr>
<td>65 Engineers Public Service</td>
<td>53</td>
<td>2,145</td>
<td>71</td>
</tr>
<tr>
<td>35 Ex-Cell-O</td>
<td>50</td>
<td>1,250</td>
<td>51</td>
</tr>
<tr>
<td>70 Great Northern preferred</td>
<td>71</td>
<td>1,220</td>
<td>60</td>
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<tr>
<td>20 Green (H. L.)</td>
<td>75</td>
<td>1,875</td>
<td>72</td>
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<tr>
<td>20 International Harvester</td>
<td>96</td>
<td>1,920</td>
<td>60</td>
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<tr>
<td>10 Johns Manville</td>
<td>14</td>
<td>1,200</td>
<td>42</td>
</tr>
<tr>
<td>50 Kenneth</td>
<td>48</td>
<td>2,304</td>
<td>125</td>
</tr>
<tr>
<td>25 Montgomery Ward</td>
<td>71</td>
<td>1,775</td>
<td>50</td>
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<tr>
<td>50 National Gypsum</td>
<td>50</td>
<td>2,500</td>
<td>25</td>
</tr>
<tr>
<td>150 Pan-American</td>
<td>72</td>
<td>2,200</td>
<td>25</td>
</tr>
<tr>
<td>100 Pantoon Oil</td>
<td>14</td>
<td>1,200</td>
<td>72</td>
</tr>
<tr>
<td>60 Philip Morris</td>
<td>60</td>
<td>2,040</td>
<td>80</td>
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<tr>
<td>30 Phillips Petroleum</td>
<td>56</td>
<td>1,680</td>
<td>60</td>
</tr>
<tr>
<td>50 Pepsi-Cole</td>
<td>36</td>
<td>1,800</td>
<td>42</td>
</tr>
<tr>
<td>40 St. Joseph Lead</td>
<td>53</td>
<td>2,129</td>
<td>50</td>
</tr>
<tr>
<td>20 Standard Oil Indiana</td>
<td>75</td>
<td>1,800</td>
<td>75</td>
</tr>
<tr>
<td>20 Underwood Corporation</td>
<td>74</td>
<td>1,850</td>
<td>62</td>
</tr>
<tr>
<td>50 Union Bag &amp; Paper</td>
<td>24</td>
<td>1,200</td>
<td>38</td>
</tr>
<tr>
<td>Yield</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Grand Total</td>
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</tbody>
</table>

(Continued on page 2742)

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(Continued on page 2742)

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Portfolio Management In a Changing World

(Continued from page 2741)

It exists that before the fundamental trend has exhausted itself even higher and very unusual prices for common stocks may prevail. Securities other than common stocks are becoming less and less attractive from the point of view of income and capital gain. The average investor, over a period of time, will have to be content with a smaller return on his capital. Unless his capital has already increased or will increase before the long term upward movement will be very difficult for him to obtain satisfactory income from the stable securities he should own when the fundamental trend changes.

During the next few years it will perhaps be more important than usual consistently to follow the tried principles of investment management. The responsibilities of the portfolio manager may become greater than usual, and competent management of portfolios is at a premium.

Sept. Steel Payoffs At Higher Hourly Rate

Hourly earnings of wage earners in the steel industry in September averaged 6.1 cents per hour, compared with 6.0 cents per hour in September, 1944, according to the American Iron and Steel Institute, which further announced:

"Every month this year the average earnings per hour, excluding hourly, piecework or tonnage wages have been above the 121.0 cents per hour in September, 1944. Meanwhile, the average number of employees in the industry in September was close to the level of early 1940. The employment average of 420,000 in September was below the August average of 422,000 employees, partly because of the temporary period of adjustment which followed V-J Day. In September, 1944, the employment average was 450,500. Monthly payrolls declined during September to a total of $18,197,500,000 in August and $142,209,500 in September, 1944. Wage earners worked an average of 48.9 hours per week in September against 48.9 hours per week in August and 47.2 hours in September, 1944."
A Gold Coin Standard for U. S.?

(Continued from page 2699)

i coinage and issuance of gold coins of the value of $10, $20, and $50, and for the issuance of gold certificates.

**Bad Features of Bill**

Two features of these bills can be condemned outright: (1) They would not provide the United States with a gold-coin standard; instead, they would again subject the currency of the United States to all the uncertainties involved in the possibilities of unexpected and repeated changes in the standard monetary unit, and (2) the provisions for bimetallism constitute a denial of the value of the lesson taught by the world's experiences with bimetallism. Obviously, the bill, regardless of what the other intent of its author may have been, would provide for further subsidies for gold and silver producers.

The provision for increasing the dollar price of an ounce of gold (and silver) is also a noteworthy commentary on the theories of those who have been insisting that gold has lost, or will lose, its value, and it is a relic of barbarism. The "Wall Street Journal" of Nov. 17 reported Administrative opposition to these bills in the following words, among others: "The Taylor-Murray Bill to put gold in circulation and restore the Government's authority to alter the gold content of the dollar is getting no Administration support."

"Administration monetary experts are strongly opposed to suggestions that currency be made convertible into gold. ... The experts point out that if gold were placed in circulation and holders of currency and demand deposits decided to demand it, there would not be enough to go around. Thus the legislation might be a serious threat to the nation's monetary system in times of panic."

If any of the Administration's opposition to these bills relates to a revival of the power of the President to devalue our gold and silver coin, and to the provisions for bimetallism, that opposition is of course encouraging. But the reported grounds of opposition to a return to a gold-coin standard, assuming that the devaluation and bimetallistic provisions of the bills may be eliminated, raise important questions. They are important, regardless of whether these bills ever reach the stage of serious consideration, since they go to the heart of the question of the soundness of our monetary standard. Furthermore, the reported opposition is in harmony with the nature of the Administration's position to a gold-coin standard that has been revealed steadily and repeatedly since the suspension of gold payments in March, 1933.

Fallacy of Administration's Policy

The contentions of the Administration that our domestic currency should not be made directly convertible into gold coin, chiefly because there may be hoarding of gold and because "there is not enough gold to go around," if demands for it should exceed our gold reserves, are not valid. The unsoundness should be understood since they constitute basic considerations in the issue of a gold-coin standard versus a "managed" paper money system.

Since, under our present international gold bullion standard, people of other countries can get our gold, the question arises as to why our own people should not be able likewise to convert their claims into this gold. The fairly obvious answer to this question is that our Government cannot control the foreigner as it does our citizens. It can compel our citizens to take something less desirable than gold, but if it deals with the foreigner—buys his goods or services or makes loans to him—he can demand the gold or refuse to accept our domestic currency except at a discount. Consequently, our Government in effect says to the foreigner "come and get it," but to our own citizens it says that if they try to get it and hold it, except for use in the arts, industry, and professions as provided in law, they shall forfeit the gold and be subject to a penalty equal to twice the value of the gold.

Does not a fear of domestic hoarding of fractional gold reserves constitute an admission that our other monetary reserves—also fractional—are either less desirable than gold or are really not obtainable? The answer is yes on both counts. By the law of June 12, 1945, gold certificates alone were made lawful for reserves against notes and deposits in our Federal Reserve banks, and these cannot be paid out to the people of this country. Prior to that date, silver and certain other non-reserve gold coins were served as lawful reserve against deposits in the Reserve banks and the monetary unit was as legal as it is now. Today, they can be paid out only as non-reserve cash but not as part of the lawful reserve. The Board of Governors reports that if they were serviced at all, they would be partly as reserves with that little fear of a hoarding demand for them since the present demand is different from, and inferior to, gold.

Administration's Objections to the Addie Test

Does not the Administration's position to the gold-coin standard demonstrate a fear of subjecting the others of these investment funds, each of which is managed independently by the management company other by a different management group.

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the Administration's monetary and fiscal policies is the belief that such a standard could and perhaps would apply. The Administration and in Congress have been asserting that convertible paper currencies are superior to gold. If their contention is true, then advocates of such paper money should welcome that which the people could, and probably would, make under a gold-coin standard. If the paper money of this type is as good as, or better than gold, the people will not prefer gold to the paper. Here is the opportunity for the advocates of paper money not directly convertible into gold to demonstrate their good faith in respect to the arguments they have been offering during the last dozen years. It is clear that they are afraid to subject their theories to this test. What they want is freedom from the tests and restrictions which a gold-coin standard would apply to their inferior currencies and fiscal policies.

The "Scarcity of Gold" Argument

The Administration's argument that the gold-coin standard is not sound because there is not enough gold to go around is naive to say the least as economics is concerned. There is not enough of anything to go around if it has value. Anything that has value is scarce. There is enough of those things that have no value. Germany put this simple principle to a thorough test when she printed enough convertible paper money to match the amount of money in circulation. When the people had enough, the marks had no value! To say, therefore, that we should not use gold because there is not a sufficient supply to go around and that all who have a "right" to claim it cannot exercise that right at all times, is to disregard the meaning and significance of value. All people who have a "right" to cross the George Washington Bridge, should be permitted to use it at the same time. The same is true of railroads, airports, and highways. All who have a "right" to use the elevators in a building could not use them at once in case of a fire. The same is true of fire escapes provided. And these are precisely what any good monetary standard requires no matter how nearly perfect it may be—fire escapes to meet panic conditions. Our monetary administration has not been good, nor have they been adequate. There is still room for improvement, and it is to this point that more careful attention should be directed.

Is an Inferior Standard Desirable?

A remarkable thing about the Administration's position is its opposition to a gold-coin standard, paper money not directly convertible into gold, and they have been able to demonstrate that the Administration has been a better money manager than the people of the United States have been. This is precisely what the advocates of paper money were afraid of. But it is precisely what the advocates of gold would say, and perhaps would argue, that the Administration has been a better money manager than the people of the United States have been. The Administration has been able to prove that the Administration can manage money better than the people of the United States can; and this is precisely what the advocates of gold would say, and perhaps would argue, that the Administration has been a better money manager than the people of the United States have been. The Administration has been able to prove that the Administration can manage money better than the people of the United States have been.

Then there is the question as to whether our gold should be the property of the people or of the Administration which happens to be in temporary political control. Further questions which logically flow from this one are these: Why should not every person be permitted to place savings in the object of his choice? If one prefers to sell his products or services for gold instead of an convertible paper money or high-priced, low-interest-bearing securities, or an over-valued silver, why should he not be permitted to do so? On what logical or legitimate ground can a Government justly say to the citizen: "You cannot invest in gold; we shall take that you must take convertible paper money, an over-valued silver, and our Government securities!"

It is important to understand the disadvantages to which the people of the United States have been subjected because they have not had a gold-coin standard in recent years.

Weakened Present Currency

When this Administration developed the people of this nation or the gold-coin standard in 1923, it also deprived them of the automatic control which a people should be able to exercise over any unwise or improper use of paper money and credit, whether issued by banks or the Government and, consequently, over the use of the public purse. With the suspension of gold payments, the automatic control by the people of this country over the public purse was swept away. Such controls as remain can be exercised, if at all, only through much less reliable and less effective channels. In recent years these controls, obviously, have been of negligible importance. When a Government can deprive a people (Continued on page 2746)
A Gold Coin Standard for U. S.?

(Continued from page 2745) ple of practically all control over the public purse their position has become dangerous indeed. We should not forget the very simple fact that, if a Government is to be left free to issue money against its own debt instead of against good liquid assets of the issuer is a dangerous device which modern nations have embraced to an unprecedented degree. And it is a device which the general public apparently understands very imperfectly. Both the device and the general lack of appreciation of its nature are exceedingly dangerous factors in a nation's well-being. The people of the United States are definitely involved in this danger.

Gold as a Check to Inflation. If, when a gold-coin standard is at the disposal of the people, banks should issue notes or create deposits of questionable value, the people would demand payment and, by this activity, they would reveal their fear of the banks' notes or deposits. This would force the banks and perhaps the Government to correct the situation. Such demand for gold is a reflection of popular judgment regarding the state of the banks' money and credit; it is the red flag of warning to the banks and to the Government.

In this regard it is interesting to notice that, in the Federal Reserve Period, no member bank issued notes that were not covered by actual gold coin. The gold-coin standard is thus a device that can be employed to prevent an inflation that is not desired by the people. It is a device that can be used to cause a return to sound money in case of a currency crisis such as the one that occurred in 1933.

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No Control Over Public Purse

Today the people of this country have lost, to a great extent, over the public purse, and those who are responsible for the securities find themselves earning a small return and assuming great risks.

Since people cannot act, many of them invest in what is widely regarded as the next best thing to gold--Government securities. But many private savers do not invest in Government securities for the reason, that they cannot afford to accept the risks involved in such investments. They prefer to let their funds lie idle. A large proportion of these securities is taken by institutional investors which must use their funds to support our social policy, for example, on such interests as they can; and since many of them are not restricted by law to any one policy, they are unable to find adequate and safe outlets for their funds, there is a great demand for these securities. But if we could compile the losses suffered by savers and these institutional investors, as a consequence of these monetary and low-interest policies of the Federal Government, we would find that the social costs have been tremendous.

The gold standard, as the people of the United States have come to believe, is to have their banks and Government, places of issue and reserve their hard-earned securities with which the Government can spend the people's money. And that is as it should be.

It ought to be instructive to us in this country to read what a highly reputable European economist has to say about the gold standard as a brake -- Wilhelm Röpke in his Crisis and Cycles (William Hodge and Co., London, 1936). He says (p. 175): "The gold standard is not as a brake in the performance of its function as a brake--of which the gold standard has to be considered as an indispensable part of our economic machinery if we want to be safe against real disaster. We do not even trust the locomotive engineer to forego automatic safety appliances in spite of the fact that there are no personal economic interests of his at stake, and that his own personal safety depends on his sense of responsibility. How much less can we do without automatic safety appliances in the case of Governments whose affairs are conducted in an atmosphere not entirely free from personal economic interests of its leaders are responsible only 'before God and History,' writing their 'economic policies wrong.' It is desirable that all planners, whether rulers or on the 'end of capitalism,' and all sank into raptures of delight at the thought that our country's economies should take this to heart, and as far as the policy of trade-cycle control shares some of the

gers of economic planning, here is a lesson also for the more enthustastic advocates of monetary management.

But this automatic brake is off our Government. It was removed in 1933 and thus the Administration freed itself from its restraints. The controls were placed in the driver and the accelerator. And the people have been encouraged to think of a wild ride.

A most important point to bear in mind here regarding the present currency situation of the United States is that our domestic currency may not be depreciated, or be depreciated, rather in terms of gold because of our system of indirect conversion of our domestic currency into gold, the disadvantages suffered by the people of this country, as a consequence of being deprived of a gold coin standard, are to be found in other and vitally important directions, the chief of which have been mentioned. Therefore to point out, as some do, that, because our convertible paper and over-valued silver currency has not depreciated in terms of gold since Jan. 31, 1934, the present arrangement is quite satisfactory, is to miss some of the most important disadvantages and dangers in our situation. Much of the discussion of a gold coin standard and the political values are substituted for the objective non-political valuations which are inherent in the gold standard, and for the true values reflected by the free operation of the forces of supply and demand in the market place. To have objective values, a nation must have an objective monetary standard, such as gold, which is free from the notions of politicians as to what its value ought to be. We make the bushel an objective unit of measurement, so should the people have an equally objective monetary standard of value. We do not let the politician decrease the size of the bushel when the apple crop fails; and when the gold "managed" currency is substituted for a gold coin standard and the management of it, political values replace true economic, objective values, and when this is done the people suffer seriously.

The agitation for a "managed" convertible paper or commodity dollar currency is but one manifestation of a persistent, and in recent years a frenzied, quest for stability in our economic system, and it rests upon unsound grounds. There is apparent today something like a fanatical determination to try economic expedients.

(Continued from page 2702)

world war one? Are the prospects for investment obligations being met as well? Are the interest rates of today sufficient to incite the risks involved? The average return on investment since 1933 has been less than half that of the decade of the 20s. Do the socialization schemes of foreign countries warn the American investor to demand new and stronger guarantees? Will payments be any safer if the funds are socialized and made by the Government with the involuntary tax payers' money?

Cheap Money, Low Interest Rates, and the Investor's Responsibility

Low interest rates in the United States and all over the world are the product of inflation. While billions of savings have been destroyed in the past decade, cheap money has been multiplied by deficit financing and the unparalleled increase in the paper promises to pay. All of these credits are debts. Every government debt whether in currency or bonds is a socialized obligation of the workers and taxpayers. Is which experience has demonstrated cannot work. Though the people of this country, those who have been, should know full well that there is an after all such a thing as the impossible, they will not recognize it and apply to it as attempts to make a less valuable currency equal in value to a more valuable one. They will not recognize that paper which cannot make something out of nothing; that a fixed objective unit like gold is as desirable as an unchanging bushel, that a stable price level, if it could be attained, does not necessarily mean economic stability, that no monetary mechanism alone can produce stability at the price level, long or in the economic system as a whole, that the gold coin standard has not been the primary cause of the great fluctuations in prices and the wide swings in business activity and prosperity, and that the present world suspension of specie payments is nothing more than a fairly common, but always temporary, episode in the history of metallic currencies.

The advocates for a "managed" paper currency and the even a gold coin standard are definitely wrong. And in the light of history, it would seem to be a mere matter of time until Congress will be brought to a realization of this fact. It is to be hoped that this realization will not have to wait until this lesson of history is again driven home by a catastrophe in our monetary and fiscal affairs.

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The Investment Banker's Dilemma

(Continued from page 2747) we were very fortunate in choosing the road of sound money.

A brief survey of the European inflations after World War I will disclose that in every country in which inflation and devaluation of the currency was practiced the investors were cheated out of their purchasing power in about the same percentage. Whereas in the countries which returned to sound money and did not debase their currencies the investors, in time, regained their purchasing power.

In this era of low money rates, unconvertible currencies, socialized and nationalized credits, the investment bankers have a responsibility far greater than mere rating. What are safe investments for your customers from the standpoint of being sure of getting their principal back? Will the United States and the rest of the world return to sound money? How high will interest rates rise when the inflated money and credit are paid off and sound money restored? Will cheap money be maintained by further inflation, causing further increases in prices and declining purchasing power of income and investment capital?

The investment banker has a responsibility to his customers the investment and management of their savings. He can discharge this responsibility best by furnishing his customers all the facts and then helping the National Government return to sound money after performing the major operation of eliminating the inflated money and credit we have in our system. Of course it will take a long time to get over this operation and heal the sores. But the sooner we begin the quicker we will recover.

J. D. Harrison Elected to Richmond Reserve

James D. Harrison, President of the First National Bank of Baltimore, Md., has been elected a director of the Federal Reserve Board of Richmond, Va., which was announced on Nov. 16 by Robert L. Lutcher, chairman of the Board of the Reserve Bank.

The Baltimore "Sun" in reporting this also said:

Mr. Harrison succeeds Charles H. Homan, President of the Western National Bank of Baltimore, who had served as a director of the Federal Reserve Board for 27 years, but declined to stand for election to an additional term.

Mr. Harrison first came to Baltimore in 1923 as Vice President of the Citizens National Bank. He was elected President of the First National Bank last January. His election as a director of the Federal Reserve Bank will become effective Jan. 1, 1946.

In Attendance at IBA Meeting

(Continued from page 2748)  

The Investment Banker's Dilemma

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(Continued from page 2748)  

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Canada's Prospective Trends

(Continued from page 2701)

fifth of the number of days on which the worker, and his em-
ployer, made contributions in the preceding five years. In other
words, he is entitled to a full year’s benefit. Few are
likely to be that favorably situ-
ed.

4. Benefits are made available only if the worker did not quit
the job voluntarily, has not been
dismissed for misconduct, and
in case of strike has not voted or
participated in the dispute which
causes the work stoppage.

5. Most important, the bene-
fit, if the worker’s loss is
considered, can refuse twice a joboffer-
ed to him by the governmental em-
ployment office. Refusal for a
third time disqualifies him from
the receipt of benefits. No rigid
provisions exist as to the kind of
employment he has to accept.

6. So far as known, no travel
allowances are provided for work-
ers to change the location of their
employment. All of which goes to
show that the Dominion is free
from some of the political pres-
sure that burdens this country’s
economic stability.

Indeed, Canadian political and
economic thought is thoroughly
imbued with the understanding
that the Dominion’s existence is
at stake in international trade.
Her prosperity has been tied up
with the volume of exports. “Five
dollars’ worth of exports add just about five-dollars to the
national income,” as an outstand-
ing Toronto economist (Dr. Jack-
son) puts it. The high prosperity
of the war years, e.g., the dou-
bling of the national income to
about eight and a half billion, was
dependent on a rise of the total of exports and
imports to roughly $2 billion.

Extravagant labor demands are
doomed almost at once in the cold
light of this fact. By contrast,
total war-time exports plus im-
ports of this country, fantastic as
they were, amounted to less than
10% of our national income. Even
in England, the ratio of interna-
tional trade to national income
is only a little over 20%. The fact
is so evident that no discerning
person in Canada can escape its
influence on his economic think-
ing.

Other factors contribute to
dampening radicalism and main-
taining wages below the level in
the U, S, as well as in Britain,
which in turn is not likely to
shoulder the burden generously if
its own pocketbook will be under
the strain of industrial strife at
home. It may not be entirely cor-
rect to say that in terms of pres-
sure groups, labor’s position in
Canada is similar now to what la-
bor’s position was in the U, S
after the war. But it is cer-
tain that unionism has no such
power-hold there as it possesses
here.

Most important, monetary in-
flation has not reached the same
proportions as in this country, the
domestic debt having risen by $11
billions in six years, against some
$280 billions here, while the popu-
lation ratio is less than 1 to 12,
and with a somewhat higher per-
centage of the debt in “perma-
nent” hands than on this side of
the border. Less inflationary

(Continued on page 2750)
Canada’s Prospective Trends

(Continued from page 2748)

pressure means lesser urgency of wage and other demands.

Labor Efficiency

However, the drawback of the labor situation is: lower efficiency than in the U.S. (but not in comparison to Britain). The reason is partly "structural": the fact that mechanization has not reached as far as in this country and cannot reach that far, given the narrowness of the Canadian market. But that is only part of the story. What is more irritating is the spectacular decline of efficiency during the war, a consequence of recruiting inexperienced workers and of the human wear and tear in turn due to six years of work at long hours. Labor itself, or at least its intelligent leadership, is aware of this, as stated recently in an independent trade union paper: "Counts of instances have come to our observation of crude inattention, sloppy workmanship, flippant attitudes and insensible inefficiency. This is a trade union editorial, mind you, addressed to the members, complaining about their "unwarranted incompetence." Just like in British coal mines, absenteeism in Canadian textile mills runs as high as 10 to 30%. Canadian industrialists agree that they have no quarrel with the wage level, provided they can re-store labor efficiency at least to its pre-war standing. No doubt, after a period of rest and reshuffling, a return to normal may be expected. But even then, nothing equal to the American "tempo" can be forthcoming - which is true for the top management as well as for virtually all ranks of employees. But by and large, the normal difference in manufacturing productivity between Canada and the U.S. is presumably more than compensated by the wage-differential: minimum rate 25c there, against the pending legislation to raise it to 60c here.

International Trade

If this discrepancy of wages is maintained, Canada will enjoy for years a favorable competitive position in international trade of manufactured products, other than heavy capital goods. Of course, the future course of internal price and cost inflation will determine the export outlook. So far, however, the upward accumulation of per capita liquid savings amounts to less than one half of the level reached in the U.S.; less than it is in Britain, too. All symptoms point to the considered judgment that although Canada is bound to follow American prices, she is likely to maintain a reasonable "lag" to be reflected in the Dominion's foreign trade situation.

That brings up the basic problem of the Dominion's post-war economy. In the fiscal year 1937, which may be regarded as normal, roughly 46% of her commodity exports went to the Empire, 28% to the United Kingdom, and 24% to the U.S. (The Empire's pre-war share had been rising slowly.) Obviously, Canada lives not just on exports - on exports to those two areas. What is more, her trade with the neighbor is more than compensated by imports, with a $30 to $350 millions average pre-war import surplus, while the trade with Britain gave her a surplus of exports ranging up to $300 millions. Theoretically, i.e., in view of international price relationships, there is no reason why this favorable balance could not be maintained. Nor is it likely to be influenced by exchange rate manipulations: so far as can be foreseen, the Canadian dollar is bound to keet at or close to the present rate against the U.S. dollar and the British pound, which are in turn practically pegged to one another.

But many other factors enter into the picture which may change it one way or another. Especially so, in view of the long-run shifts in the make-up of the Dominion's foreign trade, a process greatly accelerated by the war. Briefly, she has reached a high degree of economic maturity as indicated by the decline of thirty years in "raw materials" from 51 to 18% of total exports, and the simultaneous rise of "fully or chiefly manufactured" products from 33 to 46% or so. In other words, Canada is turning more and more to an exporter of manufactured goods rather than of raw materials, a change in her world market position with momentous consequences in the immediate post-war era.

Canada depends on exports not only for employment, but also for a surplus to service her growing external debt, and to attract more capital from abroad with which to build up the mining, industrial, commercial and financial system of the nation. What, then, is the outlook on retaining as much as one-half of the war-time expansion?

Farm Production

Prospects for farm products are far from encouraging. Given the wheat surplus in the U.S. (600,000 bushels) and even elsewhere, the agrarian protectionism of the consumer countries, the relative decline of demand for cereals, and the world-wide intensification of their production—as exporters to the pre-war total of $200-$300 millions, the western prairies may keep up their position, and may even improve it for the emergency year abroad, but in proportion to the new measure of foreign trade, their significance is bound to decline, unless they can offer new products. Shifting to cattle raising is out of the question, since the prairies are scarcely fit for grassland, and it would necessitate the elimination of a large number of farming families. It takes years to develop a substitute for wheat, such as soy-beans, suitable for the arid soil and the short season. Anyhow, shifting from one sphere of business to another, this type of move is likely to change from one unsalable surplus to another.

Lately, Canada is extending her exports to Europe, especially to the Netherlands, $13 millions to Czechoslovakia, etc. The total is supposed to be $200 to $300 millions, most of it presumably to find its way to the new markets in Europe, in part, in effect, that the subsidy to the farmers appears as credits to foreign countries. It is safe to predict that subsidies in one form or another will be a feature of the farm crisis for many years to come. In the meantime, at present price levels, the cost may be held to $220 millions annually, less than 5% of the national income, a burden that may be carried without inflationary consequences. But the implication is
that agricultural products (mainly wheat and flour, to a minor extent also cattle, raw leather, and cheese), which constituted even as late as the 1930s as much as three-fifths of the export total (in dollars) will have to play a rapidly declining role.

Mining Prospects

The subsidence of the mining industry (to be discussed below) is a most disturbing point. Nickel, lead, platinum, asbestos and uranium, temporarily also tin and silver, may hold their own. In nickel, especially the Dominion has a virtual monopoly: the cheapest producer. Even nickel royalties are as high as $80 of the traditional type paid not only on the output but also on the profitability of International Nickel Co. per ton of the largest single item, zinc and other materials, including all items that have been expanded to a million ton annual capacity, face cheap foreign competition and over-supply.

The opening of high-grade iron ore fields on Labrador and the low cost potential of oil, and asbestos strip-mining in Quebec are very promising, but have not yet reached the stage of full development and large volume of production. In both cases, the development has not been completed.

All told, subsidence products may account in the first post-war years for scarcely 15% of Canadian exports. This will mean that the mainstay of the economy, should maintain anything like a two billion dollar level, to say nothing of the recent three-year and a-half billion dollar level, as against five billion dollars, 30 billions, and 2.4 billions in 1928 (at present gold prices).

The paper shortage in the United States, caused by the depleted lumber reserves, provides Canada with many attractive opportunities, since Export shortages create problems. If the major role on this side is revived four years from now, the Canadian facilities may be overcome. As a matter of fact, competition is rising on a world-wide scale. Of course, the ruthless exploitation of the Dominion's timber resources will reach its limit some day. The current explosion of paper and cardboard capacity in this country may have the boom boil over at a much earlier date. In the meantime, however, Canadian exports of wood and wood products, which figured some $160 millions in the 1937 trade balance, and $440 millions in 1944 (around 15% of the total), are rising in volume and value, most of it in processed rather than in raw forms.

That the competition of industrial exports, the core of the country's foreign trade in merchantable manufacturing Progress

Industrialization has reached a truly accelerated pace by the sinking of several billions into new equipment, especially as machine tools, chemicals and is not only the direct saps of substantial exports, but also the foundation for future production. In this respect, Canada will enjoy a comparative advantage over most of the other industrial countries, especially Britain.

The geographic proximity and easy access to the richest country, and to its "know-how" plus close cooperation with the Empire, provide an unusually favourable position.

3. Most important is the fact that compared to both the United Kingdom and the United States, Canada operates on much less intense grounds and with a less socialistic labor policy. The consequent lag of Canadian prices and wages behind those of the competitors, in spite of a 10% handicap in the valuation of her currency, can only fail to show its effects on the international markets, especially for finished consumers' goods, in which the American technique of mass production can be duplicated.

4. Canada has become the largest cash buyer of American goods, taking almost $1.5 billions worth, more than 80% of her total imports. Obviously, this fact will greatly strengthen her bargaining position in tariff bargaining. Also, the trend in the United States is in the direction of relating on industry (not on agriculture) to protectionism.

5. The old and the new industries of the Dominion is being reconverted. Its output will be reduced in the initial years, but will be expected to rise quickly to pre-war levels and will be expected to produce for a decade. In the meantime, the output of the old industries has been well-integrated into the American system of production.

Invisible exports and other features of Canada's economy have not declined, on the contrary, the Canadian tourist traffic brought in 1938 a round $40 millions in foreign exchange, equal to that year's gold imports. It promises further exchange and its future, after the war-time slump, as a substitute for a 15-15 depletion in export earnings. Exporting, with the Dominion's tonnage. It is likely to turn from the pre-war favorable item of about $30 millions (net) into a substantially larger favorable one. In insurance, banking and commercial services, its position is likely to be improved, too, and not merely at Britain's expense. But all these prospects are overshadowed by the spectacular development of gold mining.

Gold exports reached as high as $200-odd millions in 1941, and declined subsequently to almost half of that amount. Presently, labor shortages are more acute than during the war, but the interruption of production means, of course, lengthening the lifetime of the mines. What is more, new explorations on a vastly accelerated scale have opened up a wealth of gold reserves both in Ontario and in northwestern Quebec, which makes doubling of the pre-war output a virtual certainty as soon as labor and materials are available.

Short of prohibitive wage or tax policies, the Dominion is expected to produce by 1947 at least $400 millions worth of gold. (Continued on page 2752)
Canada's Prospective Trends

(Continued from page 2751)

But there is little danger of seri¬
ous labor troubles in the remote mining districts with their highest paid working population (around $40 a week, against an average of scarcely over $30 in manufac¬
tures), and the Dominion is in the process of reducing taxes, includ¬
ing the elimination of a 10% war¬
time duty on imported machines. Lowering the gold price has be¬
come a political impossibility in view of the vested interests grown up around the 10% duty on the Canadian dollar, while a rise of it is a distinct international possibility in view of the current inflationary trends. Nor is Can¬
ada swept by anti-mining senti¬
ment which has led South Africa at times to repressive action against absentee owners. Over 600,000 persons are appren¬
ticed shareholders in the Dominion's gold production, most of them its citizens.

Indeed, the expansion of gold output is vital to Canada's pros¬
perity and international balance, assumed with practical certainty that a major rise of its
cost of production would be met by governmental relief actions. Merely raising the depletion all¬
rance to the level which U. S. gold producers enjoy would compensate at present for a conceiv¬
able increase of costs.

Canada's balance of payments on "current" transactions—visible (optical glass production), and the expansion of old. To keep a vir¬
tually duplicated industrial appa¬
ratus going, and to maintain and improve further the living standards, greatly enlarged imports are needed, which in turn call again for exports far beyond the pre-war level. Their bulk must originate from manufactures. As things stand, the Dominion's future hinges on the markets for a vastly expanded industrial capacity to substi¬
tute for its war-time outlets and to over-compensate the declining or limping demand for its raw materials.

Imperial Preferences

The problem fills the Canadians with anxiety, and naturally their eyes are focused on the Empire. Discriminatory Empire prefer¬
ces, which originated in the Domi¬

The problem of Canada's indus¬
trial future is a complex one. What advantage is that rela¬
vant in individual cases, but is of little value in view of "modern" trade impediments of the exchange restriction type. However, they have acquired an emotional status which has a great deal in common with nationalistic senti¬
ment, in addition to protectionist motives it is strong enough to drive the Canadi¬

d of "mutual aid" provided to Britain, and the fear that loss of
the preferential rates may mean the loss of the U. S. subsidiary plant.

The Empire—advocates seem to overlook the narrowness of the British market under early post¬
war conditions. Even substantial American credits to England are not likely to overcome it more than partially; besides, they would not naturally tend to channelize British manufactures into the United States. Also, Britain will appear primar¬
ily as a buyer of raw materials in which Canada is only one among many competitors who cannot be ignored.

Industrial Exports

Canada will have to re-orien¬
tate her foreign trade in non-Brit¬
ish directions. An improved

Imports from:

194

United Kingdom

\$72

\$4,224

72.9

India

\$6.3

135.8

7.8

Australia

\$0.6

135.3

4.0

Other Empire countries

\$0.6

141.4

4.6

All other countries

\$0.9

142.3

4.5

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Balance of Indebtedness

During the war, this balance was used largely to finance Brit¬

ish loans and partly to pay British-owned and some American-owned Canadian securities. In addition, the Treasury was used to strengthen the monetary reserve held by O. S. (deposits, etc.). Regarding "mutual aid" and war loans, the year is now for year on the receivables end of the flow of credits. The dollar sale of securities to the U. S. not counting "direct investments", amounted in 1940 to $28.2 billion, in 1941 to $41.3 billion, and in 1942 to $42.6 billion. As a result, foreign investments in Canada have risen to the new high of about $4.6 billion; they tend to rise further. This in-

England can buy at a billion-dollar rate, or anywhere near, un¬
ess Canada continues to make presents or swallows an equiva¬
 lent quantum of English goods, both of which are out of the ques¬
tion. The Empire, especially India and South Africa, may expand. West¬
ern Europe's dollar leverage is likely to be much more signifi¬
cant than it ever was, and Latin America will become, and is bound to become, the supplier of primary goods, replacing the Empire all along the line.

We quote the like of it or not, Canada is in effect a non-regis¬
tered member of a very small area, and until not at the follow¬

ing figures (in billions) shows:

1944

\$72

\$4,224

72.9

\$6.3

135.3

4.0

\$0.6

142.3

4.5

\$1,760

\$1,736

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In Attendance at IBA Meeting

(Continued from page 2740)


(Continued on page 2755)
Commerical Bank Installment Credit Plans

(Continued from page 2704) the number (intending to purchase) retail installment paper. Nearly 10 thousand banks expect to make ordinary personal loans on the installment repayment basis, and smaller numbers intend to make consumer installment loans direct to borrowers for the purchase of automobiles, household appliances, and other goods, and for repair and modernization.

Some seven thousand banks expect to purchase retail installment paper from dealers. These banks will engage in consumer installment lending that is in financing through dealers. It is quite understandable; dealer financing is more complex and requires more specialized personnel, and small banks often find that commitments are too large for the bank to handle alone.

The committee on consumer credit of the American Bankers Association has been busy for some time helping member banks to establish new consumer credit departments, enlarge existing facilities, and improve operations. Recently it has published manuals on such subjects as: Personal Loans, Operating Cost Manual for Consumer Credit Departments of Banks, Retail of Installment Loan Charges. Automobile Financing—Dealer Plan, Automobile Financing—Direct, Loan Plan, Home Appliance Financing, Aircraft, Financing, and Analysis of Sodiers and Sailors' Civil Relief Act of 1940, as Amended.

The Association has also completed plans for a nationwide collection system for banks extending consumer installment credit. The plan provides for the printing and distribution of a directory listing the banks that will be equipped to handle the collection of installment payments. The collections will be handled on a reciprocal basis at stated fees by the banks listed.

In addition, the Association has been developing co-operative working arrangements with various national trade associations for exchange of information and experience and for promotion of mutual interests. Similar co-operation among banking associations and trade associations is being facilitated at state and local levels. An example is the co-operative plan developed by the Massachusetts Bankers' Association and the medical and dental societies of the state for the financing of professional services. In other states, co-operative arrangements are being developed between bankers' associations and auto dealers' associations, appliance and furniture dealers' associations, associations of insurance agents and other interested groups.

Plans for Handling Installment-Sale Paper:

With regard to the business of purchasing retail installment paper, some individual banks have been lining up dealers in their communities in advance of the re-appearance of consumer durable goods in quantity on the market. For example, a bank presents its plan for handling dealer installment paper to automobile and appliance dealers in its community and they agree that its credit and other requirements and who wish to become members of the plan are franchised. Such dealers establish necessary forms, rate charts, application blanks, notes, and the like. They also receive appropriate training.

"Real Trust Purchase Plan—Registered Dealer," to display in their places of business and thereby indicate their participation in the plan. The member bank is reimbursed for the cost of the plan, with all transactions handled by the bank's central office. In this way, local banks are able to provide the service without any expense to the bank.

It would be impractical for a manufacturer whose products are distributed through thousands of retailers to endeavor to make arrangements for local bank financing with thousands of local banks. The manufacturer wishes assurance of payment on some uniform plan for 70% or higher of all installment credit. The problem is dealing with a large number of small banks. A syndicated plan is one solution. A plan of the type described above is being used by a leading manufacturer.

Example: a manufacturer distributing his product to several dealers through several dozen wholesale branches, made a plan for each of the trade areas handled by a branch and serving the same area. Each plan is for each of these banks to purchase, directly from the manufacturer, a dozen of the various retail dealers the company credits if they so desire. Local banks are reimbursed for the plan credit plan would be established to secure the retail installment paper created by the dealers' sales to consumers.

In a local bank was unable or would not purchase the retail paper, the credit could be secured through the other banks by accelerating the plan to the finance manufacturer of a regional or national financing business. The dealer then, having arranged with the manufacturer to work through his own branch. The financing business is then in the position to select the large banks with which it is in the best position to handle the plan. Under such arrangements, leadin banks would direct profitable business to the smaller banks which improve and strengthen their correspondent bank relationships. The large banks, in this way, would become correspondents by furnishing information and advice on plan procedures involved in handling the wholesale. The local banks financing business to be carried on. The first syndicate of this type is one in which the Bank of America, San Francisco, and includes 60 branches of national banks in 31 western and west coast states. Among the 80 participating institutions, 19 have more or less extensive branch operations which expand the territories they cover.

Participating in this plan, the "time Payment Plan” does not involve any irregularity. Although as the plan has worked out so far the participants include only one bank in a given city. The banks are informed by a voluntary agreement for the interchange of services and experience. They are given the mutual advantage of being able to offer manufacturers, distributors, dealers, and consumers a uniform credit and financing service over a wide tradition. The plan will handle all consumer goods and various types of commercial equipment and machinery on the installment repayment plan. The plan is reported that several major manufacturers have arranged to offer local banks in the group made available to their distributors. The first step in the program was a series of "clinics,” conducted by a group of foremost bankers in the country. The program is being expanded to include important cities, to acquaint banks with the mechanics of installment financing. The program is the "National Sales Finance Plan” which will cover a large section of the country in the next one-third to one-fourth of the territory not served by similar plans is being prepared for perhaps 85% of the population.

Bank-Agent Plans for Expanding Credit Through Installment Loans.

Along with these plans for facilitating the purchase of banks by banks, the credit for all install ment-paper programs are being expanded to include all the country for increasing bank consumer installment loan business. One of these programs is the

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bank-agent automobile finance plan. This is essentially a movement to get consumers to substitute the use of installment loan credit for installment sale credit, particularly in the distribution of automobiles at retail.

When consumers buy from dealers on installment sale credit, all financing institutions operating in the community compete to win the dealer's patronage. A bank, or other institution, desiring to get a share of the business of these dealers, may suddenly lose these sources of revenue through the installment sale credit method, the car buyer takes the dealer's customer, not the bank. If, however, his next car is bought by a dealer who does sell the loan in the bank, the business is lost to the bank.

Furthermore, the bank, as a rule, will not have the ability to split its gross charge with its dealers, paying them a "reserve," bonus, or "kickback" equal to that paid by the sales finance companies or other competing institutions. Also, it will be under pressure to take "run of the mill" paper, of both the dealer, instead of accepting only selected, choice risks.

The most common practice of the automobile dealer is to finance an installment sale contract with a sales finance company, and charge the buyer for the right to maturity, collecting the payments himself, or sells it to a sales finance company, a bank, or other financing agency. The purpose of the bank-agent is to "re-educate" the buyer to borrow on a direct installment loan from the bank and pay cash for his purchase. The insurance agent in the bank is likely to instruct the buyer to use installment loan credit, instead of installment sale credit for financing the automobile, and the agent is expected to do the work involved at no cost to the bank.

At the end of the peak year in 1941, there was a total of about two billion dollars of retail installment paper outstanding covering the sale of automobiles. Of this total, about three-fourths was financed only at a little over four hundred million dollars, but they had in addition about four hundred million dollars of retail automobile direct loan paper, primarily for the purpose of purchase of cars. The bank-agent plan is likely to win quite a large share of the consumer installment loan business at the expense of the business of the sales finance companies, which has been largely in the hands of the sales finance companies.

In their purchasing of retail installment paper on automobiles, the sales finance companies have furnished only the funds needed for financing the sale but also, through their insurance subsidiaries, the insurance required on the automobile, and these companies generally are not permitted to enjoy commissions on installation pre-sale, as the banks have, a very large source of income for these sales finance companies. The banks, without the benefit of commissions on insurance, have no assurance that a consumer purchase will not be in a position to give generous rebates or boodles to automobile dealers, thereby eliminating out flat the discount received when buying retail installment paper from them.

Under the bank-agent plan, however, the bank does not buy the paper from the automobile dealer, the bank makes the direct loan to the car buyer covering the unpaid balance and the insurance premium. Some local insurance agencies write the assurance covering the loan and the premium, and thus is induced to urge its clients to buy from the bank. The discount is often in the form of money cash instead of buying from the sales finance dealer on a near installment sale contract. In this way, it is said, the bank gets its commission and the rest of money, (Continued on page 2756)
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The motivation is supplied by the high interest rates, now available, establish credit bank for yourself, retain your insurance payments, get ahead in life. The plan will better look after your interests as well as your payment, and speedy-settlement of claims, is the one you can rely on. It’s a plan that works for home town people. The logical extension of the argument is not to be found in the small amount of money circulating locally, but in the plan to "go out of town" would be to urge the establishment of town home insurance companies, its own automobile and appliance subsidiaries, and to have them handle the insurance of all their locally owned concerns.

Mechanics of the Bank-Agent

In some cities the banks have decided upon uniform credit plan for the plan, and it must be underwritten as a mortgage, and notes and other forms are furnished to the insurance agents. The insurance agent is called upon to do quite the year before he gets been charged for the insurance premium for the insurance required to have an introduction card to take to the bank, the plan since it is necessary for credit is taken and the required the applicant to acquire the surety bond as the sketch of the car on the credit investigation and acceptance. The bank issues a check payable to the insurance company, and a check to the agent binds the insurance policy. As previously stated, the plan does not anticipate the payment of commissions by the banks to the insurance agents for their services in channeling loans to the banks. The agent has the incentive of getting the insurance business which otherwise would be placed by the dealer (or by a bank or other financial institution having trust powers which include the selling of insurance). In addition, the agent may be able to sell the car buyer public liability, property damage, and medical payment insurance, in the advantage of theft, comprehensive, and collision insurance.

It is reported that many banks reorganize for the plan, which are described in their direction by ordering insurance from the cooperating agents. Any time, consumers influenced by a bank’s advertising may go directly to the bank to borrow funds of a required amount, contact some insurance agent. "Agent free" loans are those in which the borrower expresses no preference for any particular insurance company or agent. In cases where the borrower wishes to retain his insurance with a given
vances, loans on furniture, several types of business loans, and personal loans. For example, insurance agents frequently find that one obstacle to selling casualty policies is the fact that the prospect is already in debt and has little chance of paying the necessary premium on insurance. By introducing such a prospect to the bank, it is argued, the insurance agent can finance a policy and, in addition, show the client a source of credit by which he can budget the payment of his other debts.

In some cases, banks furnish their regular small loan applications to the insurance agents who let it be known that they are the ones to see when a person needs to borrow money. The activities of insurance agents in assembling loan and securing business for banks has raised the question as to whether agents may be required to take out small loan broker's licenses or be subjected to other licensing provisions.

The bank-agent plan at the present stage of its development is simply an attempt to meet the competition of the automobile dealer who offers the financing and insurance protection with the sale of the car. The task of the banks and the insurance agents is to convince prospects that they can save money by dealing with a local bank and get better insurance protection and service by dealing directly with local insurance agents.

The Springfield Group of Fire Insurance Companies has been circulating its agents urging them to call immediately upon their local bank or banks and arrange for a cooperative program, to start their educational and advertising programs using letters and a series of advertising leaflets prepared by the company, to secure credit approval from the banks for the customers and prospects on their mailing lists, and to impress upon their clients the necessity of carrying bodily injury, property damage, and medical payments insurance in addition to the required coverage of fire, theft, comprehensive, and collision insurance.

The State Farm Mutual Automobile Insurance Company, said to be the world's largest automobile insurance company, with over a million cars insured, launched a bank-agent program in 1938. In 1941, its agents, operating with 2,500 banks, brought in more than $9,000,000 policy holders to their local banks for car financing. The company's national advertising, and the advertising material sent out by its agents, claims that its Bank Plan saves money in three ways: on the purchase price of the automobile, by paying cash; on the financing, by low bank rates; on insurance, by rates which are usually lower than the generally accepted Board rates.

The company has been sending copies of a 16-minute motion picture booklet of large format entitled 'Here's an Opportunity for Banks' to bankers in the 40 states in which it operates, urging the banks to promote the bank-agent plan. The slogan, "see your local banker before you make your decision."
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Commercial Bank Credit Plans

Continued from page 1271

your next car," is emphasized in the company's advertising in na-
tional newspapers, the purchase of enclosures to policy-holders by the
insurance companies, and the publicity releases by the local agents
and the free trade shows and advertising material fur-
ished to banks.

In 1945, the National Asso-

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lending what the customer needs over and above the amount he will have saved by the time he desires it.

Direct mail advertising is being increasingly used to stimulate retail consumer demand and home improvements by the elimination of advertising, and to increase the volume of deposits. The Federal Reserve System, banks have run cooperative advertising campaigns in the newspapers on the theme "For a personal loan, go to a bank first.

A relatively new field for the expansion of consumer installment loan business is being opened by the Blue Triangle plan. For many years lenders have made consumer installment loans for the purpose of paying past-due bills for medical and dental care, but the new plan arranges for cash payment to the doctor or dentist at the time the service is performed. The Blue Triangle plan was established in Massachusetts in 1944 as a project upon the years of study by the consumer credit commission of the Massachusetts Bankers Association to the selection of a plan fully endorsed by the societies which have taken interest in promoting it. It has had a marked success. The Blue Cross plan and Blue Shield plan have encountered advantages for hospitalization, and the Blue Shield plan, a pre-payment system for medical care. The Blue Triangle plan proposes to meet the needs of the people who are not insured, and the expenses not covered, under these insurance plans, and thereby seeks to eliminate the tendency on the part of many people to delay or postpone treatment for the preservation of health.

A patient can make a selection for a Blue Triangle loan with any participating doctor or dentist who has been affiliated with the various needed forms. A credit application blank is filled out and the facts are spelled out to the doctor. The required health service is completed, and if the patient after investigation is approved by the bank, the patient signs the note, which the doctor or dentist endorses with full recovery and presents to the bank for the discount. Payments are made by the patient directly to the sponsoring bank over a period of from six to 12 months. The doctor or dentist receives his money directly from the bank.

To protect the bank against loss, a reserve, which is usually about 10%, is set up out of every installment payment on the books of the bank in the doctor's or dentist's name. The reserve is paid customarily when full payment of the amount of the loan has been completed. As a result of the reserve feature, the advance by the bank is limited so that the yield is higher than the rate charged to the borrower and average-close to that charged on regular personal loans. No co-maker or collateral is required, and the patient does not have to make an extra trip to the bank to arrange for the financing. The suggestion that doctors and dentists are somewhat less than those charged regularly by the banks on usual consumer installment loans. The procurement costs on the flow of loans is lower after acceptance of the plan by doctors and dentists, and every borrowing patient is a potential customer for other bank services.

Periodically and a series of newspaper display advertisements are supplied by the Massachusetts Bankers Association to the banks for promotion of the plan. In 1945, the Massachusetts Bankers Association has been taking action toward developing the Blue Triangle plan, and active...
Industrial Securities Committee Concerned Over Control of Aviation Issues

(Continued from page 2761)

called P. S. 1 case and has expressed the view that the agreements under discussion in that case were not in violation of the Sherman Anti-Trust Act. A bill which would clearly authorize such agreements and remove all doubt as to their legality was introduced in Congress early this year (H. R. 1282, dated Jan. 18, 1945). Your Committee believes that legislation to accomplish this purpose is desirable and should have the active support of the Association.

Effective Date of Registrations

Of particular concern to industrial corporations which wish to engage in new financing and to controlling persons of corporations whose securities are being placed on the market for the first time, is the appearance of what seems to be a new doctrine relating to the interpretation of the provisions of Section 8 (a) of the Act, as amended in 1940, governing the coming into effect of a registration statement.

Originally the effective date for a corporate issue was the 20th day after filing. In 1940, when the Investment Company Bill was before Congress an amendment was added to that Bill which changed the provisions of Section 8 (a) of the Securities Act to provide that registration statements would become effective on the 20th day after filing or on such earlier date as the Commission might determine "having due regard to the adequacy of the information respecting the issuer therefore available to the public, to the facility with which the nature of the securities to be registered, their relationship to the capital structure of the issuer and the rights of holders thereof can be understood, and to the public interest and the protection of investors."

The words just quoted represent the new language introduced in 1940. As understood at that time, the new language was intended to set up standards to be applied by the Commission in deciding whether it would be appropriate to permit a registration statement to become effective within a period of less than 20 days after the date of initial filing.

For two years or more following enactment of this amendment the Commission pursued a policy of accelerating most registration statements and, on the average, registrations became effective within seven to ten days after the date of filing.

In the course of the past year or more, however, the Commission appears to have developed a new theory as to the intent and purpose of the language contained in Section 8 (a) as amended in 1940.

At present the Commission's policy tends to discriminate against registration statements filed by controlling persons both as to time of making them effective and as to whether the controlling person is paying the proper share of expenses of registration. The Commission also refuses as a general rule to accelerate the effective date where indemnity runs from an issuer to an underwriter in the case of the sale of securities by a controlling person.

The Commission has also acted under Section 8 (a) to prevent a registration statement from becoming effective in cases where a preliminary or "red herring" prospectus has been distributed to the public in advance of the public offering date. As a result of this action underwriters are now extremely reluctant to make "red herring" prospectuses available and a new obstacle has been placed in the way of the less well known industrial corporations who may be seeking new money in the capital markets.

Then there is the further fact that in the course of the past year or so the Commission's staff has found itself heavily burdened by work with the result that for this reason alone registration statements are now being allowed to run twenty days or more before they become effective.

In view of this it seems to your Committee that action should be taken with the object of establishing a definite statutory period of time within which registration statements should become effective. Such a change would enable industrial issuers, and owners of small corporations to whom such matters are of great importance, to go forward with their plans with more assurance as to the timing of their venture than is possible under existing practice.

Government's Place in Industrial Financing

Throughout the War period the United States Government acted as the major issuer of industrial and as its chief source of new capital funds. War loan bonds were sold to the public and out of the proceeds large amounts were used to build industrial plants and to make loans to industry. Government had carried virtually all of the risk. The necessity for this during War need not be debated here. But with the coming of peace the function of raising funds to supply the capital needs of industry should revert to the investment markets.

For several years the general industrial market has not operated efficiently to supply "new money" or "venture capital" to industry. Fiscal policies and the effect of the income tax laws have been factors in this result. Important revisions in the tax laws have been made and, while many grave difficulties remain to be overcome, there seems generally to be a somewhat better atmosphere for the expression of individual enterprise.

Certainly there is a vast field of opportunity for new investment in the discovery and development of new industrial products and techniques. Recently we were informed by the Director of War Mobilization and Reconstruction that "the American people are in the pleasant predicament of having to learn to live 50% better than they ever lived before" and that the expansion necessary to accomplish this result "must be..."
Saltonstall Forecasts Government Actions

(Continued from page 5753)

Problem of Labor-Management Relations

"The problem of labor-management relations and the government's part in those relations is very acute at the moment," Mr. Vinson, from whose report this quotation is taken, said that "the time to start hammering out these policies is now, while the transition is still young. We agree with that view. We think that the hammering should begin.

We agree also with the view expressed recently by Dr. Harley L. Lutz, Professor of Public Finance at Princeton University, who observed that if business is to operate successfully "men need a renewal of confidence that (a) they will be permitted to take chances, (b) they will be allowed to enjoy the fruits of success, (c) long-range commitments will not be jeopardized by monetary juggling, and (d) government will cooperate and encouraging rather than coldly indifferent or hostile."

A year ago in its report to the Annual Meeting your Committee said that we could not avoid the responsibility, either as individual investment bankers or as members of this Association, of doing all in our power to create an atmosphere in which risk money—will—go to work. That this should be one of our major contributions to post-war world. We reaffirm that view. And, since we believe that the core of any program for the revival of a healthy system of private enterprise is a correct conception of the functions and place of Government, we believe, and we wish to emphasize the view, that this Association should at all times work actively for the adoption of positive policies and for the removal of unnecessary and burdensome restrictions. Which Government has imposed upon the operation of the free capital market.

Industrial Securities Committee


management or labor not living up to their contractual obligations or being unreasonable in their demands. I am a firm believer in the ability of our citizens to settle their differences in a democratic fashion. I for one hope that government can be kept out of management-labor disputes just as far as possible. During the war we have gotten into the habit of looking to government to intervene. If other negotiations fail, then it is clearly the responsibility of government to step in and try to settle differences which affect the general life of the nation.

But I hope we can return to relations between labor and management just as fast as possible that are personal ones and not dictated by government action. I firmly believe that only in this way can we achieve labor-management relations that are built on a solid, lasting and permanent foundation.

"The danger at the present time is that there may be some legislation that is too drastic in one way or the other. We tend to become hysterical. I believe that the present difficulties are the hangover of the war and that ultimately, when the hangover has cleared away, better and more lasting relations can be established and, I hope, without too much government interference or regulation."

Finally, he said, "The international problems will become closer to all of us and to our system of living in this country because the world has become so much smaller. They will affect your business more than before the war. We must be everlastingly sure of our security, but we must remember that our happiness and our security depend on our sympathetic understanding and our relations with the world. Your international relationships must assume this character."
The Government Looks to Investment Bankers

(Continued from page 2724) have more than tripled since the beginning of the war years, and now stand at nearly one hundred and fifty billion dollars.

Administration's Attitude on Restraints

As important a factor as any of those previously mentioned, which go to make up the outstanding opportunity that exists today for investment bankers, is the Administration's attitude toward the Government's wartime restraints. The Administration believes that an economy free from these restraints is the best possible economy for the American people. The policy of limiting wartime controls as rapidly as is prudent is guided by the belief that such a system is the desired one by the American people, and the one that they are determined to have.

That guiding principle also dictates our actions in getting the Government out of business—turning business activities back to the businessmen as rapidly as possible.

The bankers of this country can do more than any other group of private citizens to assist the Government in getting out of business. The commercial banker has a very real concern with this subject, but I believe that the investment banker has the paramount interest in aiding business to expand to the degree that will be necessary if we are to have the high production and high consumption levels that are desired.

With opportunity there goes an accompanying responsibility, and the greater the opportunity, the greater the responsibility. We would do well to consider some of the responsibilities that are properly yours.

A primary obligation of the investment bankers will be to provide new venture capital. You have, of course, given this subject careful consideration, and you are no doubt, already cognizant of where your opportunities are to be found. I believe that your contribution to a greater America, in this regard, is limited only by the ability and vision of the investment bankers.

Another field to which attention should be given is the financing of small business. I know that you have already given much thought to the possibilities of long-range financing of small business, and I hope that it will not be easy to find the correct solution, yet the need for such a program and the profit inherent in such business is such that I feel that it will pay dividends to continue your efforts in this direction. It may be necessary to develop a number of methods to fit the variety of local or generic conditions.

It is possible that community financing of local projects with the participation and guidance of commercial banking firms may be feasible. I have read the report of your Small Business Committee on this subject, and I commend the Committee for its exhaustive investigation and its able report. I receive the impression from it that there is a clear understanding of the importance of this subject, and that it is the intention of the Committee to continue its efforts.

Financing "Decentralization"

A similar type of endeavor, and one on a larger scale, is the financing of new productive enterprises in less industrialized states, as described by the catchy word "decentralization." The effect of such decentralization plants in non-industrial regions should prove to be a benefit to the national economy of our country. During the war, the Government built tremendous plants in such areas for the primary purpose of wartime security.

These plants have attracted labor, merchants and community enterprises and they may well prove to be an attraction to capital as well. Such a development has the additional merit that it makes for wider markets, products of every sort because of improved living standards and improved industrial payrolls in many states. Perhaps we should consider also, that in that atomic age such as this, the survival of a nation may depend upon the decentralization of its industry.

Checking Inflation

Another consider必要ity involves the part that you can take in checking inflation. Aside from the damage to the national economy, unchecked inflation would add to the cost of living as much as any other sector of our economy. I believe that investment banking may prove to be one of the major checks to inflation. If the tremendous savings in the hands of the people can be largely applied to the purchase of new securities, they will cease to present a threat of inflation.

I am told that the great majority of our people plan to buy goods and services as installment purchases payable out of future income. For the most part, savings are regarded as being available for such major items such as a home or an education, but are not likely to be considered for the purchase of goods. Investment bankers can play a significant part in making tremendous purchasing power in this country by offering sound securities of moderate yield in the public.

Foreign Financing

I would be remiss in my duty were I not to touch upon the subject of foreign financing. There is room and need for this development and noteworthy accomplishments during the war years, we financed the United Nations through Lend-Lease and we are financing the present UNRRA. Just recently, the Congress has approved the Export-Import Bank which already has made a number of loans to many countries.

The Congress also has approved our participation in the Bretton Woods agreements. I have no doubt that other nations will now implement such agreements and the Export-Import Bank and the International Bank for Reconstruction and Development have enlarged their international monetary funds. You must make it clear to the public, that the Export-Import Bank is not an Export-Import Bank only when private foreign loans are involved.

The Bank expects commercial banks to be the primary lenders in this field. It has invited close collaboration on every transaction. The Bank also is ready to sell paper, previously acquired, to private lenders. The Export-Import Bank desires the cooperation of investment bankers in this field.

It may well be that your principal contribution as investment bankers will be in the field of corporate rather than government loans. Although I feel sure that there will be business of both kinds, the Bank will be happy to make foreign loans only when private foreign loans are not available.

Our private investments abroad must be closely associated in character and standards with the investments of corporations and municipalities in this country, for instance, should be made in equal force to our loans to foreign political bodies of the same type. Washington want and expect investment banking to play an important part in the days ahead.

In conclusion, I consider it fitting to express the Government's gratitude for the time and effort you and your individual members have given to the War and Victory Bond Drives. Our services were given in a spirit of patriotism and high public responsibility without thought of reward or favor, and the problem we are now met with is courage and intelligence. I have the firm conviction that you will solve the problems of peace with the same spirit and with the same enterprise.

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Previous to this address, Mr. Snyder spoke before the National Marketing Forum in New York, Nov. 26. In this address, in addition to referring to the present, Mr. Snyder, a price controls Mr. Snyder reported on the progress of the resolution in the form of a follow-up.

Actually, the progress that is being made in agriculture is not generally known to the public. As a matter of fact, the physical reversion of the plants that were
in operation before the war has been 85% to 90% completed. As you know, thousands of plants were being built immediately before the war, and now it is ready to go right into production for post-war requirements.

New industries and expansion of old ones are not likely to have a longer time, but real progress is being made.

Every day we learn of increased output for the public trade.

There are other indexes that promise well for the future. Look at the trend in steel production, freight car loadings and the volume of orders.

Steel first. Steel is produced only to fill orders in steel men think the orders will be. The trend in steel is a definite index that foreshadows an early increase in peace-time consumer goods.

Of course, the trend now is upward. Freight car loadings, then the trend is upward. The big drop that followed the capitulation of Japan has been succeeded by an increase, an up-trend that means the wheels of business are grinding. The same thing is true of electric power production. It is worth noting that the rise began a month before V-J Day. Power output has been running only about 8% below the peaks of the last six months.

These are signs of increased production—signs that goods will be in your hands before long. There are also signs that the finished articles are starting on their way to fill up the bare shelves in the market places. The trends in the vital metal-working trades are a case in point.

Metalworking manufacturers make motor vehicles, mining machinery, textile machinery, plugging and heating equipment, stoves, ranges, forges, switches, radios, farm machinery, tractors, office and store machinery and many other articles that distributors are eager to sell, and that consumers are eager to buy.

Recently the Civilian Production Administration asked manufacturers in the metal-working trades about prospects for shipment of finished articles to the markets. Summed up, these reports show that manufacturing activity in the metal-working trades is moving forward rapidly. Some gains in shipments were expected by December. By the middle of next year, shipments from these firms are expected to be half a million orders by 1929.

Many forecast a further rise in shipments for the last six months of 1946.

This is the kind of production potential that will make distribution more effective than ever before as this country moves forward to an era of peace.

For there is going to be more to market in tomorrow's war world than there has ever been before. Today, it is merely a matter of fact to say that American industry and agriculture and labor have long since won the war.

American industry, and business, has long since won the war. The release of atomic energy and the development of radar have caught the public imagination. But there have been developments in other fields.

Cutting tools. The electronics industry has made great strides in developing process control and inspection operations.

There have been great advances in fabrication techniques and volume of production in the light metals industries. Experiments to develop substitutes for scarce items have led to the introduction of what are in many cases superior raw materials—plastics for example. Advance in textile industry has been noteworthy. During the war the textile industry learned to make new fabrics and to control quality almost anything previously known. Tackled socks, for example. Twenty-five percent shrinkage was usual before the war, but socks have been made for military use that shrink only 5%.

Advances have not been confined to business and industry alone. The war has increased the productivity of agricultural labor increased about 16%. Moreover improvements in agricultural

Rheostat Committee Notes Further Credit Gains

(continued from page 2725)

In the 1930's on account of the unbalanced resources in cash and working capital of practically every railroad, from certain, the financial strength of the railroads today will tend to delay a sound readjustment because the railroads are prepared as never before to live off their fat.

While a prolonged period of bad earnings, therefore, should produce no credit crisis it would undoubtedly have an effect on railroad expenditures for modernization and improvements and that extent the railroads from taking their proper part in the restoration of a high level of economic activity. It may be that a recognition of the improvement of railroad earning power as a factor in general employment and prosperity technology are also going forward. The recital of increased production potential is almost endless. Americans in field, shop and factory can produce more goods today than ever before.

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What's Ahead for Investment Banking?

(Continued from page 2725) position he may lose sight of the picture as a whole. Capital and business want lower taxes, less restraints, more profits. Labor wants higher wages. Politicians want pleased and happy voters. Quick and easy profits are giving investors an unhealthy flush. Advertisements "This is a speculation" seem to do the trick. Everyone goes along with the crowd. There is danger in this situation. The storm signals are out. Inflation feeds on apprehension.

Strangely, fears for the future run in two directions. Some express concern over deflationary tendencies just around the corner. Now it's true we may get the mumps next fall, but right now we are exposed to measles—and this is our present problem. Let's get over the measles and then take on the mumps.

The following points relate to inflation remedies:

(a) For 150 years the best investment in the world has been U. S. Government Bond—the purchase of war bonds by individuals is an opportunity for the investor and a cure for inflation.

(b) Inflation cannot flourish where production is great. If we can eliminate work stoppages and get our plants into full operation the inflation problem will be solved.

(c) The average banker is afraid to mention labor for fear he will get his ears pinned back, but now is the time for every man to speak his piece. We all stand to win or lose. This country has the most effective laboring man in the world. No one can deny it. He produces more, deserves more, and is a better all-around citizen than his counterpart in any other country on the globe. But he should look inflation squarely in the eye because he stands to lose just like everyone else. Actual weekly earnings have doubled since 1939. Real weekly earnings have advanced by 6% during that time. Inflation can destroy those gains.

In suggesting the responsibility of labor towards inflation busi¬ness should forget higher executive salaries don't set well with reduced wages. Serenity is the most important thing in a family or in a nation. Everyone likes to see the other fellow do his part, but right now holding the line against inflation and paying off the public debt are the most pressing financial problems. Capital, harassed as it is with taxes, must take the rap and whittle down the Government debt. Labor should pull in its horns on wages and get some goods on the shelves or the take¬home pay won't buy a thimble¬full. Appeasing everyone defrauds everyone, especially those who live on wages or fixed income.

Solvency and Thrift in Government

Our public debt is now 263 billion. By July 1, 1947, it prob¬ably will reach 300 billion. All sorts of things can be done with budget figures but the danger point to watch in this country is the over-all size of the public debt and the will to pay. There are 85 million bond buyers in this country. If we are to keep faith with them and remain sol¬vent, the matter of a balanced budget must get past the talking stage. We have had an unbal¬anced budget since the second year of the Hoover administra¬tion and the big farmers are talking now in terms of bal¬ancing the budget cycles. How can we then say what it is, cy¬cles may mean “Never.” Our pres¬ent unhealthy trend has been so long with us we think of it as normal. For 15 years we have been passing from one emergency to another. The Secretary of the Treasury told Congress he could only give the trend will occupy a place in his¬torical future. His words will need the will to pay among the bond buyers for the Cong¬ress which can say “No” to pressure groups and increased expen¬diture. We must cut the tax payers will bear the tax-spenders to bear more tax burden.

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SEC

It is assumed our SEC friends in Philadelphia will soon be mov¬ing into the building. Most of¬ficials like to be near headquar¬ters. We know people want someone to ride herd on us. That is O.K., but whatever those head¬men may be we wish Congress would take time off and look at what happened in 1929 to the flow of investment capital in the United States. Most changes are badly needed and especially in this registration procedure.

Why is it small business wants and gets exemption from the regis¬tration regulations? Why do the big banks, the big insurance companies, the big buyers, and the big sellers of securities want and get exemption? Why is there talk that foreign securities should be ex¬empt? The answer to: People in¬tuitively avoid red tape, delays and bottlenecks. Private place¬ments may be an easy road around. Big buyers and big sellers get together and by-pass the pres¬ent over-complicated registration procedure. Starting at almost zero, private placement has mounted and mounted until in 1945 it will reach nearly half of all financing.

In dealing with matters affect¬ing the fate of nations, Churchill is alleged to have said, “Put it on one page.” Yet we are required to reach Mr. Average Citizen with sales prospectus one inch thick and a foot long. No investor liv¬ing or dead has ever read one. A Churchill should rise up in Con¬gress or in the SEC and say “Put it on one page.” Getting a private capital back to work is a big job. There are 80 million in¬vestors in this country. To reach them we must eliminate red tape, bottlenecks, and the thousands of pages of fine print which even the Philadel¬phia lawyers never read.

Skimming the Cream

The 1929 experience left many scars. It scared the daylight out of available capital. Investments and drove this country into a “risk¬less economy.” Everyone ran to the Government for help. Bank¬ers are rich now. They would not take chances with their own capital or that of anyone else, so help them. They made a firm resolve never to permit the banking machinery to agais be¬come a gambling device.

It may well be we have gone too far in another direction. There is a tendency on the part of the most experienced men in financial circles to get in a storm cellar and pull the cellar in after them.

Skimming the cream may ap¬pear a safe and pleasant occupa¬tion—a sma ll thing like shooting mackerel in a barrel. It may look like sure profits on safe deals, but something must be added if the 50% residue of idle capital in this country is to be put to work. It is a great man of to¬morrow is the one who does some¬thing about calculating losses.

It has been suggested banking needs more capital. That is no doubt true for investment and deposit banking. The ratio between capital and deposits needs strengthening. Deposit banks have no more capital now with 150 billions of deposits than they had in 1929 with 20 billions of de¬posits. Investment bankers may have enough capital for their present volume but if they are to meet the needs of the future more capital will be required.
Foreign Finance

The issue in the field of foreign finance is clear. Some insist we should attempt to maintain a dollar that will command the confidence of the world. Yet the country is not large enough to support it; and it's not too late to make a radical change. Some of the major features are indicated. Now is the time to be completely unemotional about this thing. We must be sympathetic, but sensible. In charting our course for international finance, we should remember:

(a) We do not have unlimited funds, but, on the other hand, there is no marble game if one day has all the marbles.
(b) We'll never be paid back unless we are willing to buy from abroad.
(c) Right now foreign lending is too risky business for individuals. Borrow money, If you can, but the fact will not nourish the lender who loses the money be put into a rubber plantation. If the present our Government must assume most of the risks.
(d) Foreign finance, however, is not just a job for the "do gooders." Businessmen and bankers should be permitted to look at the picture. Up to now the Government has shown a disposition to have private sharing for technologists only. As time passes, and conditions change, the foreign business should get back more and more into the picture. 
(e) Stakes are tremendous in foreign finance, but the rewards can be truly vast. Make no mistake: Multilateral trade among nations and stabilized currencies point to the paths of peace.

Future in Banking

No year is complete unless someone twists the tail of banking. It is interesting to speculate on what may happen next. Whenever there is a full, it is a safe bet someone will try for the headlines. Rumor has it there is one more investigation left in the barrel, to go back 22 years in the relation between business and finance. Business being already numb from filling out blanks can no doubt survive. The advice of bankers has not been sought, but if we were permitted one thought it would be: We do not fear investigation but let's be constructive and, concentrate on the job of today and tomorrow.

Everyone shies away from long range forecasting. Most other nations, including England, have been moving to the left, some very rapidly. Business as we know it is having a rather lone-some time in the world. Still, our system has worked best in the past and we think it will work in the future irrespective of what other countries do.

Investment banking never had more good cards to play—never had greater opportunities—never had the field of reserves more completely to itself. There seems to be a period of turbulent but expanding private business.

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THE COMMERAL & FINANCIAL CHRONICLE
Volume 162 Number 4444
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Bright Prospects for Utility Investments

(Continued from page 2988)

It has increased the cost to the consumer consistently gone down, both through rate reductions and the operation of step rates. The mythical average customer in the country used 497 kw, in 1928 at an average cost of 72¢ per kw. Last year he used 1000 kw, at an average cost of 43 1/4¢ per kw.

In a recent 12 months period the usage reached the 1200 kw mark. Every year since this series of figures was started in 1928 shows higher usage and lower average cost, as compared with the preceding year, with the single exception of 1933 when the usage went down only 1 kw.

Contrast the downward trend of the cost of electricity with the trend of most other items in the household budget and this stands out very favorably indeed. Industrial and commercial use of electricity has been more sensitive to the business cycle but the long term trends have been the same. The growth record with freedom from serious setbacks in depression years has contributed to a high investment standing for public utility securities.

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The Outlook for Utilities

If it may assume fairly complete agreement that the past record of the utilities is an impressive one, the next question is "Where do we go from here?" It is especially timely to raise this question at the moment when reconstruction and post-war markets are universal topics of conversation. In the first place, utility companies face no physical reconstruction problems. True, they have plenty of readjustments to make in policies and programs but not one minute has been spent for changing over generating equipment, transmission lines or other major property.

The industrial business of the companies will be reduced but much of this has been serviced at a very small profit. Speaking in general terms, industrial business yields only about one-third as much kw, as commercial business and about one-fourth as much as domestic business. In some cases companies have been hard pressed to get back a new dollar for the electricity they have been selling to war plants.

During the war, appliance manufacturers were off the market and the companies had to sell domestic and commercial business.

aggressively. That situation is
present and will continue, even after the war. Labor earnings will
mainly remain high but we want to point out that the small expenses of most utilities companies represent only about 15 to 20% of operating expenses. The price of oil has already dropped a drop or two and is likely to decline further. The price of coal may not come down quickly but many companies have complained about the quality of coal they have been getting during the war and they will get some relief on that score soon.

The companies now will be able to shut down their high-cost plants which they have had to operate to meet peak loads. Furthermore, many companies which have been unable to get new generating equipment during the war will now be able to install it and new equipment usually brings down the cost of power.

I should mention the very strong financial position in which the utility companies are today. There has been a marked reduction in the ratio of their debt to operating revenues; in other words, the amount of business substantially without a corresponding increase in the

The companies are now carrying more money on their balance sheets than ever before and this helps finance construction requirements.

The SEC have done a great deal to promote the strengthening of the financial structure of the utilities. In many respects, the utility financial structure of today is generally speaking, very much better than the typical one of a few years ago. Some very questionable practices of the past are now ended.

TAX Reductions

There are going to be higher standards of lighting in your homes and in the stores. Incidentally, I would like to point out in this connection that the fears many people have about fluorescent lighting are baseless. To be sure, fluorescent bulbs use less electricity than the incandescent bulbs to produce the same light but the interesting thing is that the quantity of fluorescence coming from the manufacturers requires to sell in the average bulb is about one-third that of incandescent business, while showing a substantial decrease in manufacture's income promises to be only a very small fraction of all light bulbs sold.

Street and highway lighting is another promising field because safety promotion programs point out the need for better lighting. The rate of accidents has been cut down and it is largely due to the more adequate lighting of streets and highways. That is one type of lighting field still to be exploited and the farmer is a much bigger user of electricity in several instances. The net increase will be a big increase in the use of electricity in both commercial and domestic fields.

Labor Expenses

Daylight saving has now ended and this will mean a definite pick-up in load. The companies will have relief from many extraordinary expenses which came in during the war. Labor expenses were

Excess Profits Tax

Excess Profits Tax is for utility companies as far as sale of electric power is concerned. Transporting or holding of the excess profits tax itself has been made fairly easy.
 Nelson, John D.

Simonds, John W.

Sloan, J. Edward, Jr.

Song, Elmore

Spalding, Evans

Spalding, George F.

Spencer, J. W.

Splitt, Harold H.

Springer, Charles G.

Staley, Thomas F.

Starr, Mason E., Jr.

Stein, Murray A.

Steiner, Otto H.

Stephenson, Edwin R.

Stephenson, F. Kenneth

Stevenson, J. C.

Sullivan, Stephen M.

Surtie and Hare

Baker, Simonds & Co.

First of Michigan Corporation

Harrington, Ripley & Co.

Loebi & Co.

United Press

Investment Bankers Assoc.

First Securities Co.

Equitable Securities Corp.

Harvey Fisher & Sons

Merrill Lynch, Pierce, Fenner & Beane

Fenner & Beane

Northern Trust Co.

Financial World

Chicago Sun

Salomon Brothers & Hutzler

H. J. Rollins & Sons

Topel & Company

Dietrich, John H.

Federal Reserve Bank of St. Louis

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In Attendance at IBA Meeting

Continued from page 2769

Tobury, Harold
Tucker, Norman M.
Therk, Fred R.
Tunell, Paul
Turner, Arthur C.
Tweedy, Albert W.
Tyson, Robert W., Jr.
Urell, William H.
Valenza, Frank L.
van Camp, Owen F.
van Court, Albert E.
vanderpool, Robert P.
van Hart, T. George
van Winkle, Paul K.
Varlood, Samuel L.
Velt, Norman B.
Vieh, Helen T.
Vinson, Edgerton B.
Visan, Jean
Von Glahn, T. A.
Yorfsia, Peter A. H.
Waggoner, T. R.
Wayley, Thompson M.
Walker, Culton
Walker, G. Herbert, Jr.
Walker, Joseph T., Jr.
Walker, Robert F.
Wallace, Darnall
Wallace, Howard O.
Walker, Benjamin A.
*Walker, P. A.
*Walton, Gus B.
*Ward, James C.
Ward, Norman
Ward, Thomas J.
*Washburne, Hempsl
Wattling, John W.
*Watt, William H.
Watts, Sewell S., Jr.
Watson, Philip K.
Denotes Mr. and Mrs.

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NADT District 13 Receives Nominees

Herbert F. Bonynge of F. S. Moseley & Co. has been
named by the District Committee as a member of the Board of
Governors of the National Association of Security Dealers from
District 13. It was announced by Julius A. Rippl and Julius A. Rippel, Inc., of
Nevada, to succeed Frank J. Rippl and Julius A. Rippl, Inc., of
Nevada, for the term.

Nominated for membership on the District Committee were:
Frank Bonynge, Frank Bonynge, Jr., and Joseph Bonynge, Jr.

Swift, Henke & Co.

Opens in Los Angeles

Los Angeles, Calif.—Swift, Henke & Co., members of the Chicago Stock Exchange, has
opened an office in Los Angeles under the management of Edward J. Miller, who was formerly with Strauss & Bloiser in Chicago.

Public Utility Securities

(Continued from page 2700)

Three issues will amount to about $125,000 share or some $650,000.
However, this part of the proceed will be deferred and some change in the plan may be made before expiration of the "deadline" of Nov. 1, 1945.

Niagara Hudson in 1944 had an operating subsidiary earnings other than Buffalo Niagara and Eastern of about $1,125,000, which would perhaps be increased to about $6,000,000 by fiscal 1945. This would be equivalent to about 86% a share on Niagara common (assuming that all of the Buffalo Niagara Electric were disposed of). Capitalized at 14% earnings, such earnings would make the stock worth an estimated $80. To this might be added a possible cash distribution of the $35,000,000 estimated proceeds of the Buffalo Niagara Electric sale after deducting the balance around the preferred dividend requirement. This would be sufficient to bring it a little over $3 a share, making the potential market advantage on the above liberal estimates, around 12½ (which compares with the recent price range of $12 to $13.50).

Obviously, however, because of the numerous difficulties and ambiguities involved in the calculation above, such an estimate might prove considerably wider than the actual. In any event, the company has made great progress in meeting the regulatory conditions imposed on it by both the New York Stock Exchange and the SEC, which in itself greatly strengthens the speculative position of the common stock as compared with the situation over the past two or three years.
Collectivism on the American Scene

(Continued from first page)

...others, who are simply paid to think...

Their numbers and their influence on the intellectual development in our country perhaps have been exaggerated.

The early intellectual thinking that variously shaped and reinforced the pattern for our great nation unique in all the world were largely American intellectual ideas...

Thomas Jefferson was a great intellectual and the author of the Declaration of Independence and also a farmer. Benjamin Franklin was a great intellectual. But he was also a great observer of human nature. What such men left behind was more than a mental framework. It was their way of thinking that became part of the image of our country, and a sense of reality which gave their American concepts the buoyancy and vitality reflected in our country’s phenomenal development.

But with the growth of our country and the division of labor there grew up in our midst a sur¬prisingly isolated group of minds which, though we seldom have time to think of them, are responsible for the shaping of public policy. The radio added great new momentum to this division of labor and, incidentally, vastly increased the profitability of the intellectual endeavor—day by day.

Many of these men and women are all that remain from this in the form of public education. But there are many more who, through the increasing large number of propagandists, along with satirists and chroniclers, the love of freedom, and the values of America are still at work...

Their intelligence, their shrewd¬ness, their quickness and their competence are no service to us. As many of them speak, write and think, the only direction our thought further and further away from the ideal and toward the realization of the ultimate goal, as it appears to be, is enhanced by our great and costly victories, which is a constant threat to our national security. The modern defense state has been a result of the shrinking of the field of endeavor and with that...

The modern defense state has been the result of the shrinking of the field of endeavor and with that...

This relationship is not a coincidence. The inter-independence of economic and military power is an organically

The grim lesson of our times is that the greatest threat of individual freedom and national security is economic sabotage and attack by the powerful combination of political and economic power...

The hobby of the state socialists is power. Their pleasure is in what Rousseau called “the love of power.” But the purest love of “power of governing” remains, they understand, may be expressed by our latest and most direful war. When we read their present utterances, the War of Liberation, this must be the only all-out-of-them-otherwise and still have been a fight for weaker tribe.

When, in time, most people lean on the Government, the all the people have lost the control, and, as a part of their do¬

ity is gone to lean on one’s self. This is the only way faith is not a fallacy, then it may be a virtue, and a source of inexhaustible spiritual and national advancement. The collective things are as great as the human, but the heart of this self-sufficiency and de¬

In doing so it repudiates the Gospel’s fundamental concept: the individuality of each man.

The postulate of all collectivists is that collectivism is "inevitable" in the modern industrial world. "Inevitable" "Inevitable," "Inevitable," "In¬

Socialism is a fixed and unchanging life, which by its very nature, is not under the control of the state. It is not a political, economic, or social system. It is a way of life, a way of thinking, a way of living, a way of being.

So the collective idea of an ultimate social order is as weak as straw, as illusion, and a dull one at that.

The effort to escape from the control of the State has always been the badge of Liberalism. The effort to substitute the individual for the group has always been the ideal of Collective.

They say that industrial ad¬

vancement gravitates towards col¬

lectivism as inexorably as a fall¬

ing body moves towards the earth. They say that against this grav¬

itation no long-term efforts can affect the preservation of the free field of endeavor can prevail. There is something childish, they imply, about a struggle against this inevitable. Like implo¬

ring the law of gravity to suspend its action, it is grotesque prayer. They insist that collectivism is the predominate and permanent condition of industrial mankind.

They would make us believe that collectivism must be the ultimate social order.

Well, let us resound with¬

The excitation, I must say, of...
Collectivism on the American Scene

(Continued from page 2771)

The American Way of Life is a moving thing. Collectivist delusion, notwithstanding, no observation of American life is correct and no prediction with regard to our future is justified that proceeds on the assumption that there are in America fixed and stable classes.

By continual levelling, society becomes everything and nothing. The state becomes powerful, the individual weak. The rulers of valleys are raised by the denudation and washing down of the valleys into their hands, what is average rises at the expense of what is more. It is the denudation of the heart-beats and muscles and forgets the hopes and the prayers. The individualists and the "advances" and the moral concepts thereof stand reclining on one hand an "advance" of systization, on the other hand a "decline" of the plains. This complex becomes the multitude of a levelling age, as the material one of a warlike age.

Is this the fate reserved for our beloved country? Is this the reward for our tremendous victory, the final purpose of our distressed and gallant nation and of all the sons of our race? The individual creative force with which we began to be differs from the one by which we are to be.

The facts which we should remember are these: We are a nation abounding in natural energy. Our country is a country breathing resources. Who could look at our record in this war and not see our rapidity of work, our trustworthiness and valiant. Our churches are sound and our country's heart is in the right place.

Our Americans of special talent are second to none. Our engineers and scientists, medical men, educators, even our many laborers and craftsmen can prepare a standard of living for the American to express himself in all other country or age.

We have followed in America the philosophy that the most important thing in a democracy is the individual heart, soul and personality—with its capacity for development. Here the individual is not only protected by a system of government, but his own government. The constitution was adopted not alone as a structure of government but as a bulwark against power and superimposed authority. That protection runs against governmental power, religious pressure and all the other "protections" the classes as well as the masses.

The public interest is social. The private interest is clear. There is no private interest but a public interest. The interest of the individual or the group is a public interest when it is in the interest of the group, and the individual is protected. The public interest in the public good. That is the public interest. The public interest is the duty of the state. We have more to do than ever. We are to "produce" whatever is needed by the people. We are to strenghten our foundations and work out our plans to build the American home.

Our nation is blessed with the greatest resources of self-government. We have our own state governments. We have the greatest resources in our own localities. The age of the free market for the public good is now. The age of the state for the public good is now. The age of the individual for the public good is now.

The destiny of our country remains within our people. The future holds no challenge that we cannot meet in a truly American way.

Atomic Energy and Free Enterprise

(Continued from page 2699)

Our national democratic government, the discovery implies, there are at least some people who are responsible for that unreasonableness if not the discovery itself. There are those who have for so long made their private and public fortunes from the atomic energy effort? From Amos and Hoses, through Stalins and Fischers, through Ruskin and Marx, through Morris and Tolstoy, that is the time. The science of the future is always the prophet. Who is prepared to be the prophet of the future? Who is prepared to make the situation that the atomic energy development will fall under a most profound down grading? The evil is too great for the evil shall be the means or at least for the good dislike the means.

There is no action so decisive as the action of the men whose invisible engines have so largely helped to bring the war. We must stand in error before a discovery of which the peaceful development promises a future of endless emolument to all.

We are to think of it as a weapon of death. We must think of it as a powerful aid to reconstruction. We must think of it as a power to make our world a peace and a more prosperous world. We must think of it as a power to make our nation a nation that is not only a nation, but a nation that is free. We must think of it as a power to make our world a place where there shall be no fear, no shame, no pain, no poverty, no war.
eration. Just as the feudal system had to go, so the system by which the man builds his home, his wealth, and his commonwealth—an unhappy dependence of the market economy has passed. It is past the point where, in his individual and corporate life, the man could not be trusted to create the mental climate in which the development of atomic energy would be confined within the framework of what he is. We must give the common people the education, the discipline, and the right of education. The outcome is not the individual, it is the political society and the economic society. They have made the demands for 40 years in the development of, and they have the first and the threat of starvation and fear being everywhere. This is not the only one country in the world to-day. The problems of depression and Western society have transcended. There is only one country, also, where science and technology can be developed without sacrificing the education of the human will. The value of the complex universe in which we live, the assurance of security and are no longer driven to work by the fear of starvation or the apathetic routine of endless poverty. Today we are in pinholes where we have the key to freedom. When we are not free, we are not free.

Do not think for one moment that I think our task an easy one. But let us honestly face the facts. We are societies haunted by the frontier mentality, and we have made death the sanction of the law. As a man who exploited his power, his power law will impose the fear of such a fate upon us all. In the dark at Nuremberg, when we indicted men of this kind, we indicted the same type in every society. We are not even free of the processes of government by free citizens who live by the sanction of life, because they have recognized necessary limitations are not thus free. Roosevelt in all his forms is the culmination of a society built upon the anarchy of free enterprise. When it subjects man to the economy of the market, it destroys his right to man. That is why we must alter the central principle of our civilization to plan production for community consumption. From that central principle alone, do there flow the ethical values which can renovate the society.

Without it we shall have done no more than make a su- premacy discovery in the art of social destruction. With it we can make a supreme accusation of new power to the art of social creation.

We are before a revolution more night, even than the vast change came with the needlessness of a man's minds effected by the scientific discoveries of Copernicus and Kepler. Those required a new society and a new culture. They were acquired, but they were acquired by the degradation of the mass of mankind. Now we too require a new society and a new culture. This time a democratic culture in a free society. Let me repeat: December 8 Mr. McElhinney has long been identified with the securities busi- ness, and has been a vice-presi- dent of The Milwaukee Company for the past seven years.

As our case is new, so we must think anew and act. None must disillusion ourselves. We must disillusion ourselves. We must say, if we can face it, if we can face it, that this is the only way to prevent the national falling apart. We must face it, as the vast complex and the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion.

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Thursday, December 6, 1945
dreaded than economic instability, and that is economic profligacy, laziness, and waste. To me, this is the key to the difficulty about the 1927-29 joy ride was that we all thought we were endowed with unlimited resources, and many of us unwisely concluded that we would never have to work again—and please remember that we were not people who earned their bread in the sweat of their face. One of the reasons why I see some familiar faces in this audience.

To attain economic stability we must, of course, work—work that is not in itself enough. That is the key to the difficulties we are facing today. The key is to realize that we are facing two different types of problems: one is the temporary problem of depression and the other is the permanent problem of economic stability.

Stability is not synonymous with security. It is the ability of a nation to resist any savings up-to-date in the face of adversity. Society stagnates when economic stability is not fully realized. The key to stability is to set our sights higher to strive for greater and higher standards of living. If the power of a nation is measured by the ability of the people to set their sights higher, it is the ability of the people to set their sights higher that is the key to the future of a nation.

Many people think of stability as the elimination of booms, depressions, and inflation and deflation, but this is only part of the story. The other side of the story is the protection of our savings and investments. The key to stability is to set our sights higher to strive for greater and higher standards of living. If the power of a nation is measured by the ability of the people to set their sights higher, it is the ability of the people to set their sights higher that is the key to the future of a nation.

Our Reporter's Report

The investment market appears definitely to be moving into a new phase of the current long cycle. It now seems assured that, in number of transactions, the current cycle will be far outrun new issues of bonds. Furthermore, other evidence of corporate indebtedness in the period immediately following the close of the New York Bond Drive for next Saturday.

There is little doubt that the basic money market has reached the bottom of its long decline. And Secretary of the Treasury Van A. speaking recently before the Investment Bankers Assn., in Chicago, declared it the policy of the federal government to keep rates low.

Accordingly it does not appear, unless something unforeseen happens, that investors will be able to lose any major increase in the yield on high-grade bonds. Meanwhile lesser grades have adjusted themselves to the general price and the supply of the more desirable descriptions has been thinned out to a large degree.

Investors, however, have been forced into the position of forego the higher yields that they are now accepting a certain amount of risk and in order to obtain a fair return on their funds, the market will have to be put to work at all, as witnessed by the developments of the last few days.

One of several lists of new issues of prospective new issues ahead gives some idea of the inflation of bonds and in certain cases the real offer of an issue, the market is likely, unless something unforeseen happens, that investors will be able to lose any major increase in the yield on high-grade bonds. Meanwhile lesser grades have adjusted themselves to the general price and the supply of the more desirable descriptions has been thinned out to a large degree.

Investors, however, have been forced into the position of forego the higher yields that they are now accepting a certain amount of risk and in order to obtain a fair return on their funds, the market will have to be put to work at all, as witnessed by the developments of the last few days.

One of several lists of new issues of prospective new issues ahead gives some idea of the inflation of bonds and in certain cases the real offer of an issue, the market is likely, unless something unforeseen happens, that investors will be able to lose any major increase in the yield on high-grade bonds. Meanwhile lesser grades have adjusted themselves to the general price and the supply of the more desirable descriptions has been thinned out to a large degree.

If our savings are not yet willing, there is no alternative but to begin to do so. The great need of the day is for a genuine appreciation of the importance of savings. The world is moving forward and we must move with it. Our future is in our hands, and we must take advantage of every opportunity to build a strong and prosperous nation.
Outlook for Investment Business in Canada

(Continued from page 2718)

The financing pattern which proved so successful in World War I was adopted again in this war, after two moderate War Loans aggregating $500,000,000 each had been sold in the ordinary way. With the First Victory Loan in 1941, Victory Loan organization was again instituted. Results of the two War and nine Victory Loans are summarized below:

<table>
<thead>
<tr>
<th>War Loans</th>
<th>Date of Issue</th>
<th>No. of Issues</th>
<th>Total &amp; Payroll Names</th>
<th>Cash Sales</th>
<th>In Millions of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st—July 20, 1940</td>
<td>$122.0</td>
<td>310.0</td>
<td>340.0</td>
<td>728,253</td>
<td></td>
</tr>
<tr>
<td>2nd—Oct. 1, 1940</td>
<td>113.0</td>
<td>187.0</td>
<td>300.0</td>
<td>178,589</td>
<td></td>
</tr>
<tr>
<td>3rd—Nov. 1, 1940</td>
<td>327.6</td>
<td>579.5</td>
<td>843.1</td>
<td>1,681,167</td>
<td></td>
</tr>
<tr>
<td>4th—May 15, 1941</td>
<td>257.6</td>
<td>512.0</td>
<td>901.0</td>
<td>2,622,154</td>
<td></td>
</tr>
<tr>
<td>5th—March 15, 1941</td>
<td>529.7</td>
<td>772.0</td>
<td>1,307.7</td>
<td>2,669,429</td>
<td></td>
</tr>
<tr>
<td>6th—April 15, 1941</td>
<td>586.7</td>
<td>772.0</td>
<td>1,357.7</td>
<td>2,633,051</td>
<td></td>
</tr>
<tr>
<td>7th—May 15, 1941</td>
<td>641.5</td>
<td>765.0</td>
<td>1,405.0</td>
<td>3,077,123</td>
<td></td>
</tr>
<tr>
<td>8th—June 15, 1941</td>
<td>762.0</td>
<td>765.0</td>
<td>1,529.0</td>
<td>3,207,616</td>
<td></td>
</tr>
<tr>
<td>9th—July 15, 1941</td>
<td>823.3</td>
<td>726.0</td>
<td>1,549.9</td>
<td>3,178,275</td>
<td></td>
</tr>
</tbody>
</table>

*Returns Incomplete.*

Widespread ownership of Victory Bonds provides a unique and broad basis for the stimulation of investment amongst the Canadian public. Many citizens, through purchasing Victory Bonds, have discovered for the first time that investment of savings is a sound and profitable practice. Regular income return and ready marketability are factors which soon assure concrete value to those who have invested in Victory Bonds.

The trend towards lower interest rates has persisted throughout the war years. At Nov. 30, 1940, in the Dominion of Canada market, the new Ninth Victory Loan 3% bonds, due 1961-66, were selling on a 2.97% yield basis.

The Canadian Government Debt

All cash borrowing during this war has been carried on in the domestic market. Between Sept. 1, 1939 and Nov. 20, 1945, the Dominion Government's total cash borrowing approximated $15,000,000,000.

Between Sept. 1, 1939 and Nov. 20, 1945, the Dominion Government's outstanding direct debt increased by approximately $15,000,000,000, or $11 per capita of the population. Against this, active increases of the Dominion Government have increased by an amount in the neighborhood of $4,000,000,000, so that the net direct debt is about $5,000,000,000 higher than at Sept. 30, 1939.

Through domestic borrowing for all new money requirements, through repatriation of bonds previously payable in sterling and through cash redemptions of issues payable in U. S. funds, over 80% of the total outstanding debt is now payable in Canadian currency.

Furthermore, the guaranteed debt of the Dominion, consisting of securities of the Canadian National Railways, has been reduced from $1,884,000,000 to approximately $600,000,000.

Canada Now Independent of European Capital

Canada is no longer dependent upon the import of capital to finance development, but she is proud of the confidence which she has earned.

Great Value of Production:

1939       1944
Forestry     $900,188,000 $1,274,533,000
Fisheries   50,082,000 123,000,000
Mining       7,919,412 23,404,000
Electric power 602,424,000 890,000,000
Agriculture 151,888,969 201,343,000
Electricity 181,500,000 203,000,000
Construction 273,200,080 407,000,000

Total  $3,630,476,742 $5,261,290,000

During the war, many Canadians have had the opportunity to observe first hand the great change which has been taking place in the production of the country. The war has been a period of unprecedented economic growth.

With this background, the outlook for investment in Canada can be more clearly appraised.

First: Canadian industrial companies are in a stronger financial position than they have been for many years. Many companies have taken advantage of prevailing low interest rates to refinance their outstanding bonds into issues carrying lower coupon rates. Financial resources have been conserved to replace and modernize plant, machinery and equipment for conversion and postwar requirements of peace-time manufacture.

Through war production, Canadian industries have had experience, skill, efficiency and greatly improved equipment. This handle new manufacturing processes.

Second: The Canadian people have become more aware of their ability to produce to export and to finance development through investment in the country. For example, public loans are recognized as a sound basis to finance large-scale export trade with war-torn countries.

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The Commercial & Financial Chronicle
Thursday, December 6, 1945

2776
The Blocked Sterling Balances

(Continued from page 2609)

...down and prevent her recovery. In any case, it will be difficult to balance British essential imports with exports in the changed situation; but if a large proportion of exports is used for the repayment of war balances then the problem will become incapable of solution. Many Britons consider the huge sterling balances a blessing in disguise, for their repayment would secure steady markets for British goods. But while individual exporters may attempt to benefit by exporting against payment out of these sterling balances, the transactions are a dead loss from the point of view of the country as a whole. From the point of view of the national wealth and income, the labor spent on goods thus exported is as much wasted as if it had been thrown down big holes and filling them again. The idea that a country must export as much as possible just for the sake of exporting, or even for the sake of creating employment, is considered hopelessly out of date by most thinking people in the country, though it is still held among a minority of old-fashioned orthodox economists out of touch with the realities of life.

Anounces Change of Name to Ferris & Co.

WASHINGTON, D.C.—The firm name of Ferris, Exnicios & Co., Washington Building, has been changed to Ferris & Co.; it is announced by George M. Ferris, President, Marshall Exnicios, who was recently released by the Army, is no longer associated with the firm.

Capital structure and directors remain unchanged. Other officers include T. C. Montgomery, Vice-President, and Thomas N. Leof, Secretary and Treasurer.

Laird & Co. to Admit Three New Partners

WILMINGTON, Del.—Laird & Company, Nennings Building, members of the New York Stock Exchange and other exchanges, as of Jan. 1 will admit David Craven, William G. Jones, Jr., and N. Matthew Nilsen to partnership in the firm. Mr. Nilsen will make his headquarters at the firm's New York office, 61 Broadway.

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Wage-Price Equation and Future Outlook

(Continued from page 278)

A growing recognition that employment gains will be made only upon business expansion and that we cannot get business expansion unless we get adequate purchasing power suggests a lot of common sense. The policy of reducing prices must, it seems to me, go hand in hand with the development of purchasing power. Wholesalers, therefore, might well consider that only by increasing the volume of business will business be justified. The present low volume of business, which is a result of the failure to give employment, is not a result of an ample production. Wholesale prices rose little more than one-third from the low levels of the late thirties, when the cost of living, including rents, advanced sharply. We had, especially after 1942, a creeping inflation rather than a running inflation.

Third, instead of impoverishment the war brought substantial wage increases for the masses of the people. This is, in my opinion, a very important aspect of the wage-price situation, and it should be the basis of the Aquinas, if it is the case at all. The whole picture is that if we give the people the real purchasing power of their wages, we can have a substantial increase in the living standard of the whole people.

As we enter the postwar period it is clear that we possess the \( v > \) resources of the American people, and that we have an opportunity to bring about a substantial increase in purchasing power. This is the basis of our present difficulties, and it is the basis of our present inflation; and it is the basis of the wage-price problem.

The Prevailing Inflation

One of the fundamental factors in the basis of our present difficulties, and it is the basis of our present inflation; and it is the basis of the wage-price problem.

The wage-price problem is, however, supported by an economic philosophy, a philosophy that is held to be sound. It is held by the supporters of the wage-price theory that the continuance of the wartime level of purchasing power is essential to provide the markets for the full output of our productive plant; and that the increased purchasing power will be curbed and deflationary unless the prices are increased in the administration and distribution of the goods. The only way to do this is to increase the administration and distribution of the goods.

But, at the same time, and with no prejudice to any single aspect of the wage-price equation, it is contended that the greatest problem of the present time is not inflation but the development of purchasing power. It is urged that, unless price controls are radically and immediately removed, there may be a great accumulation of unsold purchasing power with the result that our industries may not succeed in converting the excess purchasing power into increase in the volume of production.

A part of the confusion also is due to the many conflicting statements with respect to the purchasing power. The existing lack of coordination between the various agencies and the desire to provide and maintain purchasing power are factors which they consider in all the plans for the future.

A major source of confusion is due to the misunderstanding of the wage-price equation. The exact meaning of the word "purchasing power" is as a rule not understood, and the meaning of the word "purchasing power" is not understood. The wage-price equation is a concept that is widely misunderstood, but in actual practice is not understood.

In the nature of the case the wage-price equation will show wide variations in the different divisions of the economy. Some price levels may increase, while others may decrease. The wage-price equation is a concept that is widely misunderstood, but in actual practice is not understood. The wage-price equation is a concept that is widely misunderstood, but in actual practice is not understood.

The price-wage equation is that which will determine the future of our economic system. The price-wage equation is that which will determine the future of our economic system.

The OPA's Troubles

In this situation the OPA has an inherent weakness that may prevent its control of the excess purchasing power. However, the OPA officials have not been able to provide the excess purchasing power of wage or of preventing it from accumulating. The OPA is not vested with control of major factors affecting the supply of purchasing power:

1. The OPA is not vested with control of the factors affecting the production of wage or of preventing it from being converted into purchasing power:

2. The OPA is not vested with control of the factors affecting the production of wage or of preventing it from being converted into purchasing power:

3. The OPA is not vested with control of the factors affecting the production of wage or of preventing it from being converted into purchasing power:

4. The OPA is not vested with control of the factors affecting the production of wage or of preventing it from being converted into purchasing power:

The OPA program as outlined calls for the control of profits not only during the period of recognition but more or less indefinitely. The OPA has indicated that the OPA must be prepared to prevent, if necessary, 'the accumulation of any spiral such as that which occurred in the year 1945.' The OPA must be prepared to suspend or clamp controls at any time in the future.

As the OPA program is now being interpreted, the OPA must be prepared to suspend or clamp controls at any time in the future.

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As the OPA program is now being interpreted, the OPA must be prepared to suspend or clamp controls at any time in the future.
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James P. Hart With Davis in Cleveland
CLEVELAND, OHIO—James P. Hart, the internationally known Cleveland lawyer, and Paul H. Davis & Co., Union Commerce Building, Mr. Hart was formerly with Brice & Co. in Cleveland as a trader. Prior thereto he was with Peine, Webber, Jackson & Curtis.

Frederic Jamey With Pacific Northwest
PORTLAND, Ore.—Frederic F. Jamey, formerly associated with the Pacific Northwest Company, Wilcox Building, Mr. Jamey, in a personal interview was a partisain in Dean Witter & Co.

Manufacturers Trust Co. Booklet on Veterans Loans
Recognizing the responsibility of banks to serve the desired purpose of returning veterans for economic opportunity and security, and the need for mutual understanding between banks and veterans of the many problems involved in small business loans, Manufactur- ers Trust Co. Associated with the Pacific Northwest Company, New York, in distributing a booklet containing a discussion of Mr. Hart has become interested in the work of the American Bankers’ Association in Washington, D. C.

Opportunity for capital expenditure was reduced sharply by the wartime restrictions, especially those relating to construction, and by shortages of manu- facturing equipment. Thus capital outlays declined from $577,000,000 in 1940 to $258,000,000 in 1944. Since a substantial part of this outlays was financed from rev¬ enue, the bonds issued each year were much less than capital expenditures, and new bond issues shrank from $186,000,000 in 1941 to $33,000,000 in 1944.

Secondly, the phenomenal rise in national income was reflected in State finances. State tax collections, apart from payroll taxes for unemployment compensation, rose from $1,315,000,000 in 1940 to $4,255,000,000 in fiscal 1945. State revenue so exceeded expenditure that surplus funds resulted in most States. These surpluses meant not only that dis¬ tress loads have been carried easily during the war, but also that res¬ serves have been accumulated for debt retirement and especially for construction. Without borrowing.

Provision for debt retirement from revenue averaged $250,000,000 annually for 1941 to 1944, inclusive, the largest expenditure, having been $397,000,000 in 1943.

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Northeastern Electric Systems, of which 7,000 miles were in operation, 8,000 miles or 90% were within 90 miles of the center of population.
The Wheeler Bill on Future Railroad Reorganizations

(Continued from page 2705)
refused to review the finding of the ICC wiping out stockholders. Justice Reed, writing the opinion of the Supreme Court in the St. Paul case, stated: "The power of the court does not extend to participation in all responsibilities of the Commission. Valuation is a function limited to the Commission, without the necessity of approval by the courts."

The old procedure in railroad bankruptcy should be reexamined. It was abused by reorganization managers, who obtained huge fees in the process. But it had one great merit. The stockholder was given the option of paying an assessment and retaining ownership before being wiped out. Today he has no option. To protect the bankers, the stockholders were vicariously afflicted. The reorganized railroads were taken from them and were transferred to the powerful financial institutions, like insurance companies. Banking and legal fees could be rigidly controlled without expropriating stockholders.

The Bill 8. 1152 is designed to treat future bankruptcies. If it is found it should apply also to present bankruptcies, for a new economic situation has arisen. Since the ICC plans have been completed, beginning in 1936, the financial condition of the railroads has improved sensationally. From 1929 to 1944 for all Class 1 roads, gross income rose from $4.0 to $9.4 billion. Net income before taxes rose from $451 to $2.514 million. Net current assets or working capital rose $2.9 billion, from a deficit of $1.2 billion to a plus of $1.7 billion. Total debt declined from $8.7 billion to $5.9 billion. Interest charged declined from $490 to $320 million. Yet we are executing a policy based on the assumption of permanent depression at the 1931-3 level.

The ICC based its reorganization plans and new capitalization on the earnings of the depression years, 1931-5, even though Commission Eastman stated at hearings of Congress in 1935 that these depression years would not be used as a basis of reorganization. But the ICC itself in December 1944, forecast "postwar traffic" for 1947 to 1949, not at depression levels of 1931 to 1935, but exceeding the high levels of 1929 and 1941.

Postwar Rail Traffic Should Exceed Pretime Levels: The Interstate Commerce Commission gives a detailed estimate of national income for the early postwar period as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimate 1947</th>
<th>1948</th>
<th>1949</th>
<th>1950</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>108</td>
<td>114</td>
<td>120</td>
<td>125</td>
</tr>
<tr>
<td>B</td>
<td>103</td>
<td>107</td>
<td>110</td>
<td>112</td>
</tr>
<tr>
<td>C</td>
<td>96</td>
<td>100</td>
<td>105</td>
<td>110</td>
</tr>
</tbody>
</table>

The average for 1931 to 1935, used by the ICC as a reorganization base, was $6 billion or about half the above estimates.

Based upon these estimates of future national income railroad freight and passenger traffic will be in the early postwar period, should equal or exceed the record levels of 1929 and 1941.

The railroads in reorganization, whose stocks are declared worthless, are showing income before tax never before equaled in American history. These so-called "worthless" stocks have been earning from $15 to $40 per share. They are paying huge excess profit taxes per share to the Treasury. In 1944 Rock Island paid $40 per share in excess profit taxes, the Missouri Pacific $56 a share and the St. Louis South Western $130 per share, or more in excess profit taxes than the entire issue outstanding. Dead cows give no milk. The capacity to pay such taxes is clear evidence that there is definite earning power in these stocks. It is idle fantasy to call them "worthless." Let us be realistic. The Bill 8. 1152, dealing with future railroad reorganizations, should be amended to include these carriers, a step which will enable us to see our government blindly persisting in a wrong policy.

There are 19 major railroads in reorganization right now. When these railroads come up for reorganization may not be another railroad reorganization. Don't forget that 40% of the nation's mileage has been in reorganization since 1920. This is one of the figures of the great depression of the 1890s and 1900s. A railroad that didn't go broke in the 1930s is not likely to go broke for many years. Does it not seem absurd to make provisions for remote and long-forgotten legislations, and to ignore present necessities not met by the Holbs Bill? We are legislating for an abstraction when reality faces us.

What is the basis for the opposition to the Holbs Bill? It is that the current reorganizations would be delayed. But the net railroad profits are astronomical. Congress unanimously denied that delay would result and cited reasons (Report, 1935): "It is not believed that the provisions of the bills will not tend to delay in any ity, in the pending cases. All of the facts in all of the pending cases are already of record. No long drawn-out investigations will be necessary to enable the court to pass judicially upon the Commission's determination of earning power. The standards by which the new capitalization is measured, that is, the actual investment and the long-term earning power, are readily accessible from the files of the Commission, and in most cases have been introduced into the records already before the courts.

We can conclude, therefore, that the enactment of this portion of the bill will not tend to delay the progress of pending plans. Delay, however, would be preferable to confiscation." Hundreds of millions of dollars are involved.

The opposition says that speculators will benefit if the Holbs Bill is passed. But speculators have already benefited because the Holbs Bill wasn't passed. Look at the price of defaulted railroad bonds in 1940 and 1945. Some bonds that sold at $1 or less have risen to $30 and higher. The average of all defaulted bonds has risen 1000%. But stocks of defaulted railroads are selling at lower prices than in 1932. They are practically zero.

Besides, this argument is contradicted by its own advocates. First the ICC says nothing is left for the stockholder and therefore the stockholder should be wiped out. Then it says that speculators expecting earnings will buy this "worthless" stock to benefit by the rise. Speculators are not so foolish as to buy worthless securities with no prospect of earnings. Besides, speculation is a democratic affair. It is not a re-stricted club. Everyone is eligible. Then there is no writing list and no black-ball.

The present holders are over-whelmingly the holders of several years ago. The transfer books show few changes. These long-term stockholders can benefit only if somebody buys the stocks and bids up the price. True, the new buyers will benefit. But...
they must necessarily be limited to retailers. A great deal of the private stock, perhaps 1% of the total issue, is held by persons other than stockholders, or the other 99% of the issue would receive the great benefit. The directors of these new companies do not venture.

The situation of the railroad in the railroad situation is reflected in the price of defaulted bonds and stocks. A little over 150 years ago, Common stocks rose almost 300% on the Chicago and St. Louis roads. Stocks of roads barely escaped bankruptcy on the New York Central, Ohio, rose, 1150%, and Missouri Kansas Texas rose 6700%. But stocks of defaulted roads fell practically zero. Bonds of defaulted roads fell on the average 1000%. Some bonds rose over 1000% and some fell to less than zero. Prices of shares of the solvent roads rose to reflect the true condition of the company. Prices of shares of insolvent roads are below 50c. This is the freezing of depression conditions in the United States, the wild speculation but it was in the new "real" stock by new holders while old holders were frozen and wiped out. The old stockholders, if they sought it, would have been observed with chagrin. A similar situation has occurred with bankrupt railroads in the West, from the Canadian border to the Rio Grande.

Who owns the railroad shares now? Figures available at the Securities and Exchange Commission, which has been conducting an exchange and at the transfer agents of the railroads, show that 10-15% of the holding of the railroads may show significant statistics. Of the total number of shares held by all stockholders between 67% and 93% own less than 10 shares. Obviously, most railroad stockholders are small people.

Who will own the railroad shares if the Hobbs Bill is not passed? Insurance companies and the nation as a whole are the owners of the railroads. Look at the interest of the Hobbs Bill and look at the large franchise that the ICC has given to the railroads. They have been taken by a powerful financial institution.

Stockholders are victims of a legal impasse, and new legislation is required. Here are the figures of the owners of the railroads.

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Canadian Securities

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Public Utility, Industrial

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Raw Material Suppliers and Prosperity

(Continued from page 2705)

Americans traditionally have been indifferent to their interests in raw materials supply. It has been our comfortable habit to think of the U. S. as a land of unlimited material resources. The familiar materials—iron. coal, and steel we had in abundance, and it was easy to assume that we were similarly rich in all those things needed by an economy that had grown as ours had. We overlooked two vital facts, one that many of our essential items had not in existence in the U.S., at least in usable quantities. No completely satisfactory substitutes have been found for either. We must look to foreign sources for these as for many other less well known, but vitally important, materials.

...
IBA Holds 34th Annual Meeting

(Continued from first page)

Locke, McClung & Knickerbocker, Houston.


Charles, S. Garland, the newly elected President, introduced the following National Committee Chairman to serve for the coming year, 1945-46:


Membership—James M. Din, James M. Din & Co., Minneapolis.

Municipal Securities—George M. Small, Small, Steiner & Co., Inc., Chicago.


J. C. Bradford Opens New York Office

J. C. Bradford & Co., Nashville, Tennessee, members of New York Stock Exchange, announce the opening of a New York office at 60 Wall Street, with James M. Keller as resident manager. The firm also maintains a branch office in Knoxville, Tennessee.

To Form Scheer & Company

Scheer & Company, member of the New York Stock Exchange, will be formed as of Dec. 7 with offices at 25 Broad Street, New York City, Partners will be Han¬

C pe, President, Robert S. Scheer, David K. Perlman, Lon Louis, and Bernard Turtle. Mr. Scheer has recently been active as an individual floor broker.

Gairdner and Company Limited

Bond Dealers

Members of The Investment Dealers Association of Canada

330 Bay Street Toronto Elgin 2201

260 St. James St. West Montreal 31494

Gairdner, Son & Company

Stock Brokers

Members of The Toronto Stock Exchange

The Montreal Stock Exchange

330 Bay Street Toronto Elgin 2201

260 St. James St. West Montreal 31494

McLeod, Young, Weir & Company Limited

ACTIVE DEALERS in all CANADIAN SECURITIES

Private Wire Connections to New York and Montreal

Montreal Ottawa Hamilton London New York

Stamm to Admit Bickart

A. L. Stamm & Co. will admit Rene Bickart to partnership on Jan. 1. The firm, which is a member of the New York Stock Exchange, is located at 129 Broad¬

way, New York City.

BRAZIL

CATHERS & COMPANY

CANADIAN GOVERNMENT • MUNICIPAL • CORPORATION BONDS

CANADIAN BANK OF COMMERCE BUILDING

TORONTO

"BRAWLEY, CATHERS & COMPANY"

NORTH MANITOBA

M. R. MEAD, TORONTO

John B. Taylor, General Manager

222, 32 King Street W. Toronto 2100

550 Bay Street Toronto 3149

382 Bay Street Toronto 2201

260 St. James St. West Montreal 31494

hoped for Fraser
Government's Role in Full Production

There is a widespread belief that the public enterprise system has been the principal obstacle to a strong economy.

We cannot afford to sell the free enterprise system at this time.
Revising the Holding Company Act

(Continued from page 2709)

is a hard task and perhaps a thankless one. We do not stop to check whether they are built on sound foundations.

Equalization of competition between public or collective owner-

ship and private ownership and operation- ing systems in many cases leaves out the facts and test truly the values of the different systems. We shall do our best to test the processes and the results by the examples of Jerome Frank that "We have the perfect system, and that simply are not so." Professors Blake and Harrod have criticized private and mutual ownership and have not given us facts and figures to try predicting the problems which we may face in the year to come.

Problems Ahead

There will be many problems. There will be problems of produc-
tion, of strikes, of congesting Government activity and we continued despite the return of peace.

We have to tackle all of these with courage and with vision. But our most important problem will be the combination of the many problems stem from the one defect—lack of trust in the fundamental integrity of the world of business.

The depression-swamped fear of trust is the primary enemy of a firm, it and the public. We have, as the result of the man-

11. The rapid rise in the price of gold has slowed the pressure of gold, and the public is not convinced.

On this stage absorb performance in the public is public storage in the finan-
cial prestidigitator. The lamb of the liberty lies down to be with the wof Wall Street. The project is smart and not smart as to the business world of Wall Street and wishes investing a sound lesson. In this, it is the lesson of a great and long range benefit with a trend to promote the petty ad-
mits only, and the wizard manipulate.

Correctives in Holding Company Law

The wolf of Wall Street is huff-
ing and puffing again and this time he has not a flair for the Western. We have, I think, properly labeled—

Revising the Holding Company Act

(Continued from first page)

other hand, the past year has been a change for the better. We are not going to rest the rest of our life, I shall see how the situation improves with sincere gratitude to you who made it possible.

It has been my honor to be your president has constructed and, as far as it is possible, to show our country for our country and for the Na-
tional Association of Manufacturing-

First, have a tax system which makes it possible for savings to be accumulated.

Second, we must have Government policies, on taxes and other-

wise, which will attract the minds of those who will find a way to attract for them to the public funds to active use; and

Third, we must have a labor policy which does not take wages in the public interest. There is nothing left to maintain ade-
quately wages and to give a de-
cent return to those who risk their funds.

It is important, therefore, that our tax system permit the accumu-
lization of savings to be invested profitably in productive enter-
prise which will support the economy of the people and more.

The present tax system needs an intelligent over-

handling to the extent that de-
taxation of corporate income.

If business is to be the job-

business, it should be the job

business, but it must be inevitably free of government discour-

ment. And a fair method should be to provide for a double teching of corporate income.

The importance of assuring adequate flow of private capital into job-making activities simply cannot be overemphasized and that is the way that we have when we finally reach this level of growth. If, as I believe, is a key to all the other work,

Investors in the future of America, the future of the world, the future of our own Nation as we hope is the key to the future of the world.

The Federal Power Commission, Securities Exchange Com-
mis-
The total war costs of the United States in the 20th century are staggering. From 1914 to 1918, the costs were about $97 billion. In more recent conflicts, such as World War II, the costs have been significantly higher. The details of these costs are complex, but they generally include expenditures on military personnel, equipment, infrastructure, and indirect costs like inflation. The precise amounts can vary depending on how one defines and calculates the costs, but they are a testament to the financial impact of war on nations.
Finally, for this reason, I have been reluctant to adopt as just as I am not a "free trader," so I am sometimes called. In that sense, the free principles are true today as it was before the war. Of course, I was wrong. But of this I am sure: labor's worst enemies today are the very employers it employs. It isn't, as many people think, the poor quality of so-called labor. Rather, it is the worst enemy today the labor is unemployed, which it has been wrapped by its own hands. I think, I can show that the only answer to the things that happened at the Management-Labor Conference.

The management delegates went into that conference with a whole-hearted determination to find answers to every one of our present industrial relations problems. But I am afraid that wasn't just one of vague generalities. In fact, a specific suggestion and recommendation put forward in our opinion, should be abandoned.

Labor, on the contrary, had no such problem. It was nothing to offer in the way of objections. It had everything to offer. And, in fact, it was because labor prefers to maintain the status quo. Its stock answer to everything offered by the management was "no." And having said "no," it had nothing else to offer.

Labor wouldn't even agree to an effort to define the functions of management, through which we might be growing a chance to grow. Let me give you a couple of examples of what I mean—and I don't delinquent for none of them.

The Tariff Question.

First, there is the question of the tariff. Now, I am not a "free trader." The policy which labor has played a major and constructive part in the industrial relations of this country. But all of us know that the tariff has been, too often, a means of raising the exchange or from the cost of living or production. And certainly we all know that if America is to maintain its place as the center of the world, it must be able to produce goods at a price which is, in some way, the same as the price of goods produced in other countries. And the most important way of doing this is by means of a means of raising the exchange or production and consumption.

In this case, we should be able to control the tariff, the reduction of which depends on more than the exchange or from the cost of living or production. And certainly we all know that it is through the tariff that we can maintain the exchange or from the cost of living or production. And certainly we all know that it is through the tariff that we can maintain the exchange or from the cost of living or production.

In brief, the position of labor today is that it has been legally established in the majority's seat. And we are not only responsible for the special privileges involved in this position.

As I said a few minutes ago, labor was the one to fight with labor against anything which would impair the basic rights of labor. But special privilege is not the right of any one group. It is the right of all the people of this country. Yet that is what we have been fighting the labor today—just as a generation of people fought for the special privilege in the field of business. And just as it took legislation to remove abuses of those days, so it will take legislation to solve the labor problem of today.

Truman Labor Program Approved

But for some months now, the first move that in that direction with his request for statutory authority to make the necessary changes in the labor laws in the interest of public welfare. Management supported the fact finding principle in its discussions with the President. I hope it can also find its way into the world. And, I believe, the government and public debt problem and report specifically on what legislative changes are needed and what policies must be followed by the banking authorities in order to ensure that we shall realize the maximum benefits from our money and credit system. Through lack of foresight and study we have not again had our whole public economic system thrown into a dangerous position through mismanagement in the financial field.

Summary of Proposals

To summarize, these are the three broad classes of action on the economic front necessary to America's continued progress.

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

2. End the granting or perpetuating of special privileges which hinder production or prevent the flow of goods and services to the public at more attractive prices. We must stand for a high and fairly dis-tributed level of prosperity for all workers. We must show that we want an ever-increasing flow of goods and services to the public at lower prices.

3. Restudy the money and credit system, and stop manuvering the Federal debt, so as to avoid diverting prosperity into an inflationary boom and pay the bills for more dependable national prosperity.

Now this is not a program which business men can understand others. Indeed, it would be impossible for the men of management to obtain the backing of the public, unless we speak directly to the people. More, we must get to work outside our business in constructively advi¬sing government on the corre¬ctive moves which I have outlined, not as an expression of personal perversions, or as an airing of our pet prejudices, but in a sincere effort to help all Americans. In order to have and hold the confidence of the American people, the businessmen, however, must recognize that the objectives of management are predomi¬nantly in the public's behalf. We must demonstrate that we favor jobs for all who want to work at wages which will provide an ever-increasing area of security for our workers. We must show that we want an ever-increasing flow of goods and services to the public at more attractive prices. We must stand for a high and fairly dis-tributed level of prosperity for all workers. We must show that we want an ever-increasing flow of goods and services to the public at lower prices.

Development of this leadership is a result. A business manage¬ment is an indispensable "must" at some future. We're all got to be bigger men, of wider interests and

We, too, have our hands full this time of year.

For us, December 24 and 25 are always busy days at Long Distance switchboards—and they will be busier than ever this Christmas. There will be undoubtedly long delays on Long Distance and some calls may not get through at all.

You will get quicker service a few days before or after the holidays.

BELL TELEPHONE SYSTEM.
Resumption of up-trend brings in new buying. Rallies in prices of utility and steel stocks should cause public selling to continue, with the signal for completion of present cycle.

In last week's column I warned that indiscriminate public selling was responsible for the sell-off and that soon as it let up the basic up-trend of the market would reassert itself. What worried me was to a very extent a public psychology that could affect prices. Apparently the public selling didn't get far. At least the market completely turned Monday morning and by the time the afternoon prices were selling, there was changing to buying.

Oddly enough the buying was not matched by a rise in prices, which is the Truman's latest plan—to adopt a point a fact finding committee to settle strikes. How

Eisenhower's Farewell to His Troops

General Dwight D. Eisenhower, who had intended to return to normal life after his last severance as Chief of the United States Army before assuming his new duties as Chief of the United States Army, prevented, as he said, by circumstances from doing so, sent a farewell message to Gen. John J. Pershing, 35th Arm. Corps, who succeeded Gen. Eisenhower as American commander. The message, addressed "to every member of the American forces in Europe," read, according to Associated Press Washington correspondent, "to each of your brave, good, lucky, and my undying thanks."

The General's message told the troops that there was yet much to be done and as to the way which they helped to win "can be firmly and solidified." He added, according to Associated Press, "in the memory of those gallant comrades who can never return, and in continued loyalty to the principles of free government for which both armies labored this war, each of us must give up our unifying enthusiasm and confidence."

If I stress the unanimity of the view that this is the purpose of pointing out that the time to stop looking and begin acting is when the averages start going up, it is implied in an expression, calling it a divergence. When divergence enters the market the shrewd trader starts looking for doors marked exit.

In any case there is no dis-
Might Versus Right!

(Continued from page 2709) 

Sir,-The recent threat of calling employee "dog" contracts and injunctions in labor disputes have all been pro-

Are Strikes an Exercise of Rights?

Yet strikes are assumed to be the perfect means of settling labor disputes. If this is true, it is because certain groups of our people are given the right to wage unlimited warfare, to employ force to obtain compulsory labor for their own purposes. That a strike represents might and not right is occasionally ac-

It is strong language, to be sure, but it is also true. As long as we demand that labor may act as a power, we are demanding that the employer may act as a power.

A No-Contract Agreement

And if a no-contract agreement is not good enough for the unions, then what is good enough? Are we to have a no-union contract? Or do we limit the right of management to enter into agreements with the minority of the employees? The law is yet to be made that will give us any help in this matter.

Mr. Charles L. Crouse, 

Newport News

Shipbuilding and Dry Dock Company

Statement of Recorded Cost of Work Performed During the Thirteen Weeks and the Thirty-nine Weeks Ended September 24, 1945 and September 25, 1944

(Supplied by end auditable, adjustments and changes)

<table>
<thead>
<tr>
<th>Weeks Ended</th>
<th>New Ship Construction</th>
<th>In Repairs and Completions</th>
<th>Total</th>
<th>Hydrostatic Testing and Cerulean</th>
<th>Total</th>
<th>By Order of the Board of Directors</th>
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<tr>
<td>Sept. 24</td>
<td>$26,084,000</td>
<td>$28,714,000</td>
<td>$54,798,000</td>
<td>$59,448,000</td>
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<tr>
<td>Sept. 25</td>
<td>743,000</td>
<td>2,530,000</td>
<td>3,273,000</td>
<td>5,111,000</td>
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<tr>
<td></td>
<td>1,414,000</td>
<td>4,242,000</td>
<td>5,657,000</td>
<td>10,017,000</td>
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Prepayment Offer to Holders of PACIFIC GAS AND ELECTRIC COMPANY FIRST AND REFUNDING MORTGAGE BONDS OF SERIES I (11⁄2%) DUE JUNE 1, 1966

$49,000,000 principal amount of the above described bonds, drawn by lot, of a total of $49,927,000 principal amount issued and outstanding, have been called for redemption on January 1, 1946. Holders and registered owners of called bonds desiring to receive immediate payment of the full redemption price (including premium and accrued interest to January 1, 1946) may do so upon presentation and surrender of such bonds at the office of City Bank Farmers Trust Company, 22 William Street, New York, at or the office of Pacific Gas and Electric Company, 245 Market Street, San Francisco, or at the office of American Trust Company, 464 California Street, San Francisco. Coupons for interest due December 1, 1945, or prior thereto, if presented with the bonds, will be paid at the same time.

Attention is directed to the fact that not all outstanding Series 1 11⁄2% Bonds have been called for redemption. A list showing the serial numbers of the bonds called may be obtained from the office of Pacific Gas and Electric Company as noted above.

Pacific Gas and Electric Company
By Raymond K. Sidoti, Secretary.

SOUTHERN RAILWAY COMPANY
To the Holders of Southern Railway Company's Development and General Mortgage Bonds, 6% Series, dated April 1, 1936; and Development and General Mortgage Bonds, 7% Series, dated April 1, 1936.

Southern Railway Company hereby extends until the close of business on Monday, December 24, 1945, its offer to purchase the entire aggregate of the bond issues set out in the heading, at the following prices:

Six Per Cent Series

For each $1,000 Development and General Mortgage Bond, 6% Series, $1,100.00, together with accrued interest, to maturity, from October 1, 1945, to December 31, 1945, inclusive (being $55.00 per $1,000, 6% Bond).

Six and One-half Per Cent Series

For each $1,000 Development and General Mortgage Bond, 6% Series, $1,220.00, together with accrued interest, to maturity, from October 1, 1945, to December 31, 1945, inclusive (being $61.25 per $1,000 Bond).

Bonds should be presented at the office of the Company's Agent, The First National Bank of the City of New York, 2 Wall Street, New York City, until 4:00 o'clock p.m. Eastern Standard Time, on and after April 1, 1946, and all subsequent coupons attached. Registered Bonds must be presented for redemption at least 10 days prior to date of payment, with appropriate assignments, with signatures guaranteed.

The Agent will pay for in the order in which the bonds are received until the amount offered is exhausted. All bonds purchased will be held, if so requested, until the date of the final payment, if any. The purchase price of成熟 from the face amount of the bond, plus accrued interest, if any, up to the date of payment. All Bonds purchased are to be cancelled, and United States Tax stamps are not payable thereon.

SOUTHERN RAILWAY COMPANY
By Ernest E. Norris
Washington, D. C.
December 3, 1945.
SUNDAY, DEC. 8

STATE STREET INVESTMENT COMPANY has filed a registration statement for 5,000,000 shares of common stock, par $10 each, at 125. This is the first time the company has been registered in the United States. The offer will be made at the rate of 100.50 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—Robert Davis & Co., Inc., New York, N.Y., is named underwriter.

Thursday, December 1, 1945

NEW FILINGS

SOUTHERN ADVANCE PAPER COMPANY, Inc., has filed a registration statement for 2,000,000 shares of stock, par $1 each, at 100. The offer will be made at the rate of 98 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—Lyon & Co., Inc., New York, N.Y., is named underwriter.

Saturday, December 1, 1945

SOUTHERN AMERICAN BANKING CORPORATION, Inc., has filed a registration statement for 1,000,000 shares of preferred stock, par $100 each, at 100. The offer will be made at the rate of 99 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—Lyon & Co., Inc., New York, N.Y., is named underwriter.

Saturday, December 1, 1945

SOUTHERN AMERICAN BANKING CORPORATION, Inc., has filed a registration statement for 1,000,000 shares of preferred stock, par $100 each, at 100. The offer will be made at the rate of 99 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—Lyon & Co., Inc., New York, N.Y., is named underwriter.

SUNDAY, DEC. 8

NATIONAL DAIY FOODS CORP., Inc., has filed a registration statement for 100,000,000 shares of common stock, par $1 each, at 50. The offer will be made at the rate of 48 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—Olman, Baux & Co., New York, N.Y., is named underwriter.

FANSIL METALLURGICAL CORP., Inc., has filed a registration statement for 1,000,000 shares of preferred stock, par $100 each, at 100. The offer will be made at the rate of 99 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.


SUNDAY, DEC. 8

SUNDAY, DEC. 8

STATE STREET INVESTMENT COMPANY has filed a registration statement for 122,411 shares (additional of its par for stock), and the offer will be made at the rate of 115 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—Davis, Coletti & Co., Inc., New York, N.Y., is named underwriter.

O'WILLIAM KUBER CORP. has filed a registration statement for 5,000 shares of common stock, par $100 each, at 100. The offer will be made at the rate of 98 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—The principal underwriter

WEDNESDAY, DEC. 1

GULF PUBLIC SERVICE CO., Inc., has filed a registration statement for 1,000,000 shares of common stock, par $1 each, at 50. The offer will be made at the rate of 48 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—The principal underwriter

WEDNESDAY, DEC. 1

WOODALL INDUSTRIES, Inc., has filed a registration statement for 1,000,000 shares of common stock, par $100 each, at 100. The offer will be made at the rate of 98 per share, and the proceeds will be used for the purpose of financing the purchase of additional holdings of the company's outstanding stock.

Underwriters—The principal underwriter

MARCH 17, 1945

MARCH 17, 1945

SUNDAY, DEC. 1

FEDERAL RESERVE BANK OF ST. LOUIS

FRASER DIGITIZED
some text that needs to be extracted and transcribed into a plain text representation.